

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Lira: why the Bank of Italy declined to intervene, Page 14

## World news Business summary

### Lebanese port hit by Israeli gunfire

Four Israeli war ships shelled the south Lebanese port of Sidon, setting off a firestorm and causing the port to be hit by Israeli gunfire. The port is a major hub for Lebanese trade and is located on the Mediterranean coast. The shelling was reported to have caused significant damage to the port facilities and surrounding areas.

### Ship blast charges

New Zealand police charged two people with bombing the Greenpeace protest ship Rainbow Warrior and murdering a man on board. The charges were brought against the two individuals in connection with the attack on the ship, which was a major environmental protest vessel.

### U.S.-China accord

President Ronald Reagan verbally approved a nuclear co-operation agreement with China and it could be signed soon, said White House spokesman Larry Speakes. The agreement is seen as a significant step in U.S.-China relations, particularly in the area of nuclear technology and energy cooperation.

### Resignation demand

Austria's farmers' union called for the resignation of Agriculture Minister Günther Halder over the scandal of Austrian white wine found containing a toxic chemical used in vehicle anti-freeze. The union's demand is based on concerns over the health and safety of consumers and the integrity of the agricultural sector.

### Oil agreement near

Israel said it is close to an agreement to buy oil from a producer country that would end a long-standing boycott by Opec but declined to name the country. The agreement is seen as a potential breakthrough in Israel's energy security and its relations with the Opec cartel.

### Spaniards questioned

Zimbabwe police are questioning Pedro Marín Cubelles and Jesus Martinez Figuera over the killing of Spanish Ambassador José Luis Blanco Briones in Harare. Police said the two Spaniards dined with the ambassador on the night before the murder, which was a high-profile event in Zimbabwe's capital.

### Korean talks planned

North and South Korean officials met for the first time in 40 years to arrange talks on reunifying the peninsula, but failed to agree on an agenda. However, the two sides agreed in principle for future sessions, marking a significant step towards Korean reunification.

### Union leader killed

A Spanish communist trade union leader, José González Alcaraz, and his wife were killed in a shotgun attack at their home near Murcia, Spain. The attack was a shocking event in the region and has led to calls for a thorough investigation.

### West Bank search

Israeli forces searched the Arab West Bank for Israeli school teachers Yosef Eliash, 35, and Lea Almkais, 19, who are feared to have been killed by Palestinian guerrillas. The search is part of a broader effort to locate and recover the bodies of the missing teachers.

### Haitian victory

The Haitian Government claims an overwhelming victory in Monday's referendum on constitutional changes that confirm M. Jean Claude 'Baby Doc' Duvalier as President-for-life and allows him to choose a successor. The result is seen as a decisive endorsement of Duvalier's regime.

### Afghanistan attacks

Western diplomats reported heavy Soviet bombing of rebels in Afghanistan's strategic Panjshir valley and guerrilla rocket attacks in the capital, Kabul which killed seven Soviet citizens. The attacks highlight the ongoing conflict and the impact of Soviet military operations in the region.

### Cheaper post

Britain's Post Office is to cut the price of a second class letter by 1p to 12p (17 cents) from November 1, the first such reduction since the introduction of the penny post in 1840. The move is intended to encourage the use of second class mail and to reduce postal costs.

### Opec tries to agree cut in oil price

OPEC MINISTERS meeting in Geneva to try to set a new pricing structure last night discussed an interim compromise under which the price of heavy crude oil would be cut by 50 cents to help to restore the competitiveness of Saudi Arabian output. Venezuela said the cut was not enough, while Iraq and Kuwait supported the proposal.

WALL STREET: The Dow Jones industrial average closed down 5.83 at 1,351.81. Page 36

TOKYO shares eased further from recent high levels with a 8.83 dip in the Nikkei-Dow market average to 12,762.83. Page 36

LONDON equities were unsettled by currency movements although gains advanced. The FT Ordinary share index closed 42 down at 921.1, a new low for the year. Page 36

DOLLAR weakened in London, closing at DM 2.8505 (DM 2.898), FFR 8.66 (FFR 8.797), SwFr 2.34 (SwFr 2.3785) and Y237.9 (Y240.05). On Bank of England figures, the dollar's exchange rate index fell to 137.4 from 139.0. Page 29

STERLING gained 2.2 cents against the dollar in London to \$1.411 and also rose to DM 4.03 (DM 4.025), FFR 12.21 (FFR 12.2075), SwFr 3.3025 (SwFr 3.3) and Y336.0 (Y333.5). The pound's exchange rate index rose 0.8 to 94.2. Page 29

GOLD: In New York the Comex August settlement was \$318.20 rose \$3.75 on the London bullion market to \$322.0 and \$4.15 in Zurich to \$321.60. Page 28

EEC foreign ministers authorised their executive committee to continue negotiating steel export quotas to the U.S., which has threatened tough limits on EEC steel sales from August 1 if no agreement is reached.

THE INTERNATIONAL Monetary Fund has postponed a decision on a new credit package for Morocco because it is not satisfied with Morocco's efforts to correct economy imbalances.

U.S. consumer prices rose a modest 0.2 per cent in June, matching the May increase to leave America's annual inflation rate unchanged at 3.7 per cent.

COFFEE price slide continued in London, although proposals for a cut in export quotas drew a cool response. Robusta futures fell a further \$104 to \$1,487.50. Page 28

EEC countries' inflation rate was an average 8 per cent in June. Greece's was highest, at 17.2 per cent, and West Germany's lowest, at 2.3 per cent.

U.S. joined Japan and the EEC in calling for the Multi-Fibre Arrangement to be extended when it runs out in a year. Page 4

BORG-WARNER, U.S. automatic transmission group, reached a six-year pay agreement with British unions giving a large degree of flexibility in working practices. The deal has saved some 600 jobs at the U.S. group's plant in Wales. Page 14

IMPERIAL OIL, Exxon's 70 per cent-owned Canadian subsidiary, raised second-quarter net earnings to C\$182m (\$108m), or 94 cents a share, from C\$150m last year. Revenues rose from C\$2.21bn to C\$2.38bn.

EXXON of the U.S., the world's biggest oil company, suffered a 45 per cent drop in second-quarter earnings to \$745m after setting aside \$545m for possible losses because a court ruled it had overcharged for oil. Page 17

WESTERN UNION, U.S. telecommunications group, returned a second-quarter net loss of \$9.7m, down sharply from the \$15.3m deficit in the first three months. Page 15

MONTEDEISON, Italian chemicals group, is thought to be working on an agreement with BI-Invest, a holding company in which it attempted to buy a controlling stake but which also holds shares in Montedison. Page 17

## JMB accountants Arthur Young to sue Lawson for libel

BY MARGARET HUGHES IN LONDON

MR NIGEL LAWSON, Britain's Chancellor of the Exchequer, is to be sued for alleged libel by Arthur Young, one of the UK's biggest accountancy firms and auditors to Johnson Matthey Bankers (JMB) before its collapse and rescue by the Bank of England last autumn.

This is thought to be the first time this century that a British minister has faced a libel action. Arthur Young's announcement of its intentions yesterday coincided with the issue of a writ against it by JMB, now a fully owned subsidiary of the Bank of England, claiming damages and interest for alleged breach of contract and/or negligence in the firm's capacity as auditors and accountants of JMB for the financial years to March 1982, 1983 and 1984.

Arthur Young said last night it would issue a writ against the Chancellor today claiming damages in respect of statements he made in broadcasts on BBC radio and television and on Channel 4, a commercial television channel, on June 30.

This was the day he made his first statement to the House of Commons on JMB. A Treasury spokesman said last night that no comment would be made until the writ had been served.

Arthur Young said that it had no complaints against Mr Lawson's statement to the Commons - where in any case British MF's remarks have immunity from defamation proceedings - on June 20 when he said: "The circumstances described in the Bank of England's report on the JMB crisis must inevitably raise questions about the role of auditors Arthur Young." But it is claiming that his statement on radio and television went "much further" and sought to "prejudice" responsibility against the firm.

Since the full facts were not available at that time and had not been considered, Mr Lawson's statements "seriously compromised" Arthur Young's position in any relevant proceedings, Arthur Young said. The matter had been raised with the Chancellor by letter but no response had been received, they said.

The Bank of England said yesterday that its writ was part of the legal process which Mr Lawson told the Commons on June 20 that JMB would be initiating against Arthur Young. It added that the level of damages would be quantified at a later stage.

Arthur Young said that, since no statement of claim had been delivered, there was no indication of the facts or matters on which JMB is basing its allegations. The issue of the writ thus took the matter no further than JMB's earlier declaration of its intention to claim against the firm. Arthur Young said it would be "vigorously defending" the proceedings and was "confident" that it would be established that the audit was carried out to "appropriately high professional standards".

This latest twist in the JMB affair follows last week's announcement in the Commons by Mr Lawson that the City of London police were to investigate whether criminal offences were involved in the collapse of JMB.

At the time of its rescue by the Bank of England last September, losses at JMB, then a subsidiary of the Johnson Matthey chemicals and refining group, totalled £248m (\$348m), more than half its book value of £400m. As part of the rescue the Bank of England has injected £100m of capital and put up half the £88m provided by UK banks to cover its losses.

Rachel Davies writes: It is not unknown for British ministers to be sued for exceeding their powers, but cases in which they are sued for libel have so far been extremely rare. Continued on Page 14

## UK rules out sanctions against South Africa

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN LONDON

SIR GEOFFREY Howe, Britain's Foreign Secretary, yesterday firmly opposed the adoption of economic sanctions of any kind against South Africa as a way of putting pressure on the Pretoria Government to end its apartheid policies.

In a speech to the Royal Commonwealth Society in London, in which he roundly condemned apartheid as "unacceptable, unworkable and indefensible," Sir Geoffrey nevertheless ruled out economic sanctions because they would be ineffective and counterproductive.

The Foreign Secretary's unequivocal stand, coming after Sunday's statement by Mr Malcolm Rifkind, Minister of State at the Foreign and Commonwealth Office, that Britain did not intend to withdraw its ambassador from Pretoria, is likely to be sharply criticised by the opposition Labour Party.

Sir Geoffrey argued that sanctions against Rhodesia had merely served to strengthen parts of the white business sector at the expense of blacks.

"The South African economy is much stronger and more diversified than was Rhodesia's. It would undoubtedly adapt to sanctions." Moreover, the effects of economic measures would be felt most keenly by black South Africans. They would also affect the economies of South Africa's neighbours, even if the latter did not formally participate in a sanctions policy.

Britain opposed sanctions because "we believe that economic growth in South Africa offers the most likely route for peaceful political change," Sir Geoffrey said.

Ways should be found of strengthening those internal economic forces, particularly the growing economic power of the black community and its trade unions. The application of sanctions would mean an end to all these activities.

However, the British Government's rejection of economic sanctions should not leave South Africa in any doubt about Britain's "abhorrence of apartheid and all the repressive measures used to enforce it."

It was not for Britain to propose cut-and-dried solutions, but South African society must evolve in a way which would command the support of the South African people as a whole, the Foreign Secretary said. The most urgent priority was to create a climate of confidence which would permit a real dialogue with the genuine leaders of the

Continued on Page 14

## EEC fails to agree on tariff levels for Japanese VCRs

BY QUENTIN PEEL IN BRUSSELS

EEC TRADE ministers yesterday failed to agree on a move to sharply increase tariffs on video cassette recorders (VCRs), imported mainly from Japan, and simultaneously reduce tariffs on microchips.

The proposal put forward by the European Commission, to increase tariffs from the end of the year when the current voluntary restraint agreement between Japan and the EEC on VCRs runs out, fell between the protectionist and liberalising lobbies within the Community.

It was opposed by West Germany because it would involve increased tariffs, and equally opposed by Italy and Ireland because of the planned cut in semiconductor (microchip) tariffs. A new attempt to reach agreement will now be made by industry ministers tomorrow.

The Commission proposal was to raise the present 8 per cent tariff on VCRs to 14 per cent - at an estimated cost to consumers of some \$300m

a year. In return, the Commission suggested reducing tariffs on electronic calculators, magnetic tapes and films, alarm clocks and semiconductor chips. The 17 per cent tariff on semiconductors would have been cut to 12 per cent.

The move to change the present voluntary restraint agreement for increased tariffs, strongly criticised by Japan, is most enthusiastically supported by France. The present deal restricts the number of Japanese VCRs imported this year to 2.25m completed machines and 1.7m chassis kits.

The Commission plan was sent to yesterday's meeting of foreign and trade ministers from their national officials, who had registered total disagreement. France, Britain and the Netherlands were prepared to accept it without enthusiasm, but West Germany, Italy and Ireland were opposed.

EEC plans retaliation, Page 4

## American Express in new bid to salvage insurer

By Paul Taylor in New York

AMERICAN EXPRESS, the big U.S. financial services group, yesterday announced a further \$181m addition to loss reserves at its troubled Fireman's Fund insurance business and brought in an outsider to head the group's insurance holding company.

Fireman's Fund, in common with other U.S. insurers, has been hit by heavy losses on its property/casualty business. Including the new reserves - for losses in 1983 and earlier - property casualty operations suffered a \$85m loss in the second quarter of 1985, largely offsetting gains in American Express' other businesses.

The new chief at Fireman's Fund will be Mr John J. Byrne, chairman and chief executive of Geico, a major U.S. motor insurance group. He will replace Mr Sandy Weill as chairman and chief executive of the Fireman's Fund insurance holding company.

American Express and Geico also revealed that they are discussing possible links between their insurance operations. The planned Fireman's Fund management change follows the surprise announcement last month that Mr Weill was resigning as American Express president and head of the Fireman's Fund subsidiary.

Mr William McCormick, who moved to Fireman's Fund with Mr Weill when his problems first surfaced in late 1983, will remain chairman and chief executive of Fireman's Fund Insurance, a subsidiary of the insurance holding group.

Geico, based in Washington, has managed to post sustained underwriting profits and growth over the past several years following an earlier earnings slump but has recently hit renewed problems caused in part by an increase in claims frequency.

The two companies said they were discussing "specific business arrangements" involving a potential reinsurance quota share agreement and the possible sale of Geico's insurance products through American Express distribution channels.

Last month, American Express announced a planned restructuring of Fireman's Fund under which the group would retain the insurance unit's profitable life insurance operations.

American Express' continuing problems with its property casualty insurance operations, which remain a serious drag on the group's financial performance, were underlined by its second quarter and first half results announced yesterday.

Continued on Page 14

## Paris to slash capital aid to state industry

BY PAUL BETTS IN PARIS

THE FRENCH Government is reducing sharply its financial support to state industries next year as part of its general efforts to hold down public spending in the 1986 budget.

Capital grants to state companies will decline to FFR 8.2bn (\$943m) next year from FFR 13.5bn this year. Profitable groups in the state sector will be asked to pay dividends to the state.

Senior monetary officials said yesterday that the Government felt that nationalised companies which had returned to profit could now raise funds on private capital markets through a number of new financial instruments such as non-voting preference shares or non-voting loan stock.

The Government also felt that it was now entitled to receive dividends from these companies after supporting them during the past years in their restructuring efforts.

There will be two major exceptions to the more rigorous industrial capital grants policy. The Government has decided to continue giving substantial support to Renault, the financially troubled state car group, and the steel industry.

M. Laurent Fabius, the Prime Minister, and M. Pierre Bérégovoy, the Economy and Finance Minister, have now finalised the public spending plans in the 1986 budget due to be announced in the next few

days. The fiscal or revenue side of the budget is scheduled to be completed by the end of the summer.

The Government has already said, however, it would reduce income tax by a further 3 per cent next year, causing a FFR 8bn revenue shortfall for the Treasury.

M. Bérégovoy is also planning to introduce fiscal incentives to encourage French industrial investment. This is expected to involve tax deductions for enterprises which reinvest their profits for investments. The Government is particularly worried that the current tentative recovery in industrial investment could be stifled later in the year as industrialists postpone spending plans because of the March 1986 parliamentary election.

The spending plans for 1986 are designed to hold down the increase in public spending next year to 3.9 per cent above the FFR 955bn total in this year's budget.

The figure, however, includes a 17.8 per cent increase in French national debt interest payments which are estimated to total nearly FFR 100bn next year. Excluding the impact of the public debt interest payments, public spending next year is due to rise by 2.8 per cent. This would represent a real cut in spending because inflation is estimated at 3.7 per cent for 1986.

Continued on Page 14

## Toyota to build cars in North America

BY CARLA RAPOPORT IN TOKYO

TOYOTA, Japan's leading car maker, said yesterday that it would build car plants in the U.S. and Canada in a move that could cost up to \$450m (\$635m).

The company said that it expected to produce 200,000 cars a year in the U.S. and 50,000 cars a year in Canada by 1988. The sites for the plants have not yet been selected.

Toyota also intends to increase the output of its California joint venture with General Motors (GM) by 50,000 units by next autumn.

The company declined to put a figure on the investment, but industry analysts in Tokyo estimated that it will spend at least ¥150bn (\$625m) on the new production facilities.

Honda and Nissan are already producing cars in the U.S. and Mazda and Mitsubishi Motors are to begin U.S. manufacture.

Toyota, refused to elaborate on its decision yesterday. It is understood, however, that the company is anxious to maintain its market share in the U.S. despite recent curbs on Japanese car exports. Further, local U.S. production is seen as a step toward defusing the increasing trade friction between the U.S. and Japan.

Production at the GM-Toyota joint venture in Fremont, California, began last year. Toyota is expected to buy out GM's share in the plant when the agreement expires in 1993. As a result, Toyota should have total sales of more than 1m cars in the U.S. by the early 1990s.

Toyota said yesterday that the extra production at the Fremont plant would be a variation of the Corolla.

Toyota last year exported 552,000 cars to the U.S. and this year has agreed to restrict exports to 817,000.

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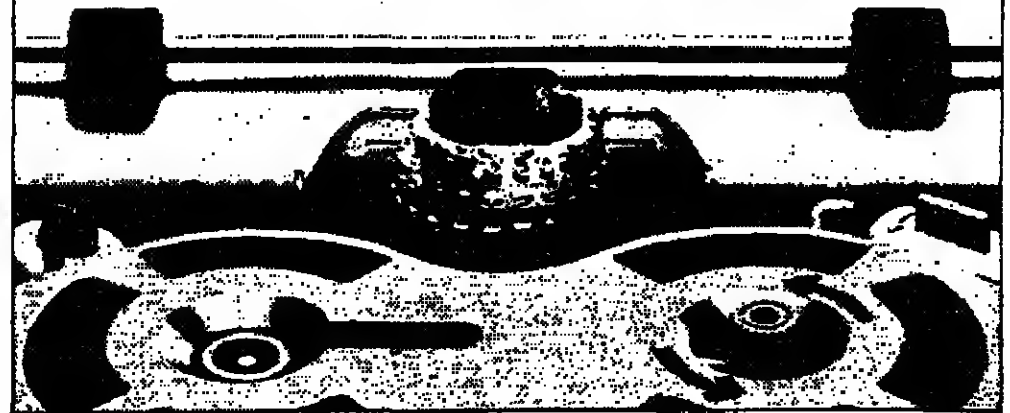
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## EUROPEAN NEWS

## BITTER ATTACK ON MERCHANTS AND FARM MINISTER

## Austria's winegrowers fight back

BY RUPERT CORNWELL IN BONN

THE SLICK of the great anti-freeze wine scandal spread steadily wider here, as Austrian wine growers yesterday launched a counter-offensive by bitterly attacking wine merchants in their own country, and demanding the resignation of Herr Guenther, Haiden, the Agriculture Minister.

The harsh words came at a news conference here called by the general Austrian farmers' federation (OABV), in an attempt to limit the severe damage inflicted upon the country's wine industry by the scandal, above all in the key West German market which takes 75 per cent of all Austrian wine exports.

Almost simultaneously however, the Bonn Health Ministry published a second list of brands of Austrian wines containing quantities of diethylene glycol, the artificial sweetener better known as a car anti-freeze.

In Hanover, meanwhile, the

Lower Saxony health authorities reported a new discovery of limited amounts of wine from the Burgenland region of south-eastern Austria, with up to 16 grammes per litre of diethylene glycol. This compares with the level of 14 grammes per litre recognised officially as potentially lethal.

These latest developments bring to 250 the number of brands of sweet Austrian wine in which the contaminant has been found.

So far there have been no reports of consumers falling ill through drinking the wine. But the embarrassment of the Bonn authorities over their allegedly tardy awakening to the potential threat was compounded by a new twist to the saga yesterday—the discovery for the first time of German white wine in which diethylene glycol was present.

Only two varieties have been

identified. Both are from the Rhine-Hessen producing district, and both contained only 0.2 grammes per litre of the pollutant.

Although it is not clear just how the German wines came to be doctored, the news alone could cause difficulties for the national wine industry here, which has so far successfully distanced itself from the problems of its Austrian counterpart.

The Austrian producers called for those at home found responsible for the affair. It was not the wine growers, but wine merchants "and the people behind them," who had brought the scandal about, they declared.

According to their spokesman, evidence of doctored Burgenland wine had first surfaced in 1982, but this had not been followed up. On occasion growers who had protested "bad

been threatened."

A "wine mafia," complete with political protection, had brought an "honest product, honestly manufactured," into disrepute, and had "criminally damaged" the interests of producers and consumers alike, the federation claimed. The Minister should step down, they said, after his failure to stop the scandal.

Agencies added: A big hunt has been launched in the north of England to track down bottles of doctored Austrian wine as two more were discovered yesterday by consumer protection officers with South Yorkshire Council. One was found last week.

● "Solidarity in the struggle against the wine mafia—wine lovers and vintners fight back" proclaims the poster (right) at a news conference called yesterday in Bonn by the Austrian farmers' federation.



## Experts discuss aircraft terrorism

BY RUPERT CORNWELL IN BONN

EXPERTS from the "big seven" Western industrial nations meet in Bonn today to discuss protection against air terrorism—but with little indication that they will agree on the general ban on Beirut airport sought by Washington.

The talks, embracing senior officials from the U.S., Canada, West Germany, France, the UK, Italy and Japan, are regular, biannual affairs. But they have taken on a special urgency after the TWA hijacking to Beirut, and the suspected missile explosion that destroyed the Air India jet off Ireland last month.

Options likely to feature in the discussions are tighter controls at airports, closer baggage scrutiny and the possible introduction of armed in-flight "sky marshals" to block hijack attempts.

Herr Hans Engelhard, the West German Justice Minister, this week called for internationally co-ordinated boycotts of airports in countries such as Lebanon, which give shelter to terrorists and hijackers, or of those where security is patently inadequate.

## Aer Lingus announces record profits

BY MICHAEL DENNE, AIRSPACE CORRESPONDENT

RECORD pre-tax profits of £14.4m (£11.2m) for the year to March 31 were announced yesterday by Aer Lingus, the Irish State-owned airline. This compared with pre-tax profits of £13.5m in the previous year.

Dr Michael J. Dwyer, chairman, said in Dublin that it was a creditable performance to move from break-even two years ago to the point of achieving an 11.5 per cent return on capital employed. However, the profit was "short of the level required to tackle fleet replacement needs."

"A further doubling of our net profit is our next objective," he said. The net profit in 1984-85 amounted to £11.6m.

Mr David Kennedy, chief executive of Aer Lingus, said the airline's results showed a growth of 8 per cent in passenger traffic originating outside Ireland.

Total passengers carried amounted to 2.2m, a slight fall on the previous year.

West German fast-breeder nuclear project faces more hurdles, writes John Davies  
Controversy dogs Kalkar's slow step towards start-up

WEST GERMANY'S fast breeder nuclear reactor, one of the country's most expensive construction projects, is becoming increasingly caught up in political controversy as its start-up date approaches.

The project at Kalkar near the Dutch border has been under way for nearly 13 years and its cost has risen to about DM 1.5bn (£1.6bn) from DM 1.5bn.

Now that crucial steps leading to a start-up are to be taken within a matter of months, the Social Democratic (SPD) Government in the local state of North Rhine-Westphalia is voicing further doubts about allowing it to go ahead.

Herr Johannes Rau, the state Premier, is concerned about safety precautions and has queried whether Kalkar makes commercial sense as a source of electricity. He has indicated that the next stages towards a start-up, such as permission to allow the breeder to be stocked with plutonium fuel, cannot be taken for granted.

Other state Ministers have sown seeds of doubt, sensing that the issue could become a serious embarrassment to Chancellor Helmut Kohl.

Nuclear experts believe that Kalkar will go ahead even if the state Government digs in its heels, because the federal Government has certain rights to override such decisions on nuclear matters.

The nuclear industry, however, fears that the state might act in such a way as to delay the project. It might, for instance, seek to allow as much scope as possible for anti-nuclear objectors to take court action challenging Kalkar. It is even possible that a federal-state collision might spark off a case before the Constitutional Court.

The Kalkar project, a raw-looking concrete complex which has been the scene of protest demonstrations, was conceived as a cheap, self-sustaining source of energy, automatically refuelling its own fuel supply.

With a 300 megawatt capacity, it was viewed as a prototype for further developments.

As costs continued to escalate West Germany's electricity utilities agreed to bear a heavier share of the burden under a "life-saving" extra-financing package put together by Dr

Heinz Riesenhuber, the federal Research Minister, in April 1983.

The federal Government committed itself to provide DM 3.7bn and Belgium and the Netherlands DM 470m each. Most of the remaining 28 per cent is being covered by the electricity utilities.

Some critics of Kalkar stress

eye on British proposals to build a new plant at Dounreay in Scotland by the mid-1990s to reprocess spent fuel from breeder reactors.

"It is possible that the British will come into the market and try to undersell the French," one nuclear expert said.

Anti-nuclear campaigners have had some successes in

the still-incomplete, Kalkar reactor, already one of the country's most expensive construction projects, looks set to become a political football between Bonn and the State Government of North Rhine-Westphalia.

But there is still no definite arrangement to deal with the spent fuel from the fast breeder reactor. But nuclear experts claim that the electricity utilities involved want to leave the reprocessing to be done by themselves to the reprocessing of spent breeder fuel in France. The West Germans have their

programme. Apart from the fast breeder, these include the costly DM 4bn high-temperature reactor being built at Schmeppen, and projects for dealing with nuclear waste and spent nuclear fuel.

Court actions earlier this year gave rise to uncertainty about plans for dealing with the growing amount of spent fuel from the country's light-water nuclear reactors.

One court halted deliveries of spent nuclear fuel to the recently-completed intermediate storage depot at Gorleben in Lower Saxony. The depot had just taken delivery of various types of nuclear waste and was about to accept its first deliveries of spent fuel.

Another court then halted work on construction of a similar intermediate storage depot at Ahaus in North Rhine-Westphalia.

The cases are "frozen" until the Constitutional Court rules later this year on a complicated point concerning the legal basis for approving construction of nuclear storage facilities.

Gorleben and Ahaus are sup-

posed to store spent nuclear fuel (as well as radioactive waste, such as contaminated gloves) until it can be reprocessed or stored permanently after having cooled off for some years.

So far West Germany has sent much of its spent fuel to France for storage and reprocessing. But West Germany recently decided to build its own nuclear reprocessing plant at Wackersdorf in Bavaria at a cost of DM 5.2bn.

Nuclear experts say that the Gorleben and Ahaus court orders have caused no problem so far, as nuclear power stations can keep spent fuel in their own storage racks or send it to France. Even if the depots remain halted, a storage pond could be ready at Wackersdorf to take spent fuel from about 1987, even though the reprocessing plant is unlikely to be in operation before the early to mid-1990s.

However, to add to the uncertainty, SPD politicians in Bavaria have warned that the Wackersdorf reprocessing plant might not be allowed to go ahead if the SPD wins the next federal election in early 1987.

## Dutch airline orders 10 Boeing twin-jets

BY LAURA RAUN IN AMSTERDAM

KLM ROYAL Dutch Airlines has ordered 10 Boeing 737-300 aircraft at a cost of FI 1.1bn (\$338m) as partial replacements for its ageing DC-9 fleet.

The 124-seat Boeing twin-jets will be delivered between September 1986 and March 1987 and will be used on more heavily travelled European routes. KLM recently ordered 10 Fokker 100 aircraft with 100 seats at a cost of FI 700m for use on less travelled European destinations.

The aircraft orders are part of an ambitious FI 5bn investment programme over the coming five years that includes replacement of KLM's entire fleet of 19 DC-8s. There was speculation in the Dutch press yesterday that KLM would use the new Boeing 737-300s only temporarily, until around 1994, after which more modern craft such as the Airbus A-320 would be purchased. The 737-300 is an updated version of the older Boeing 737.

KLM said yesterday that it expects a "reasonable" profit on 5 per cent higher air traffic revenue this year, primarily stemming from Far Eastern, North and Central American routes. The airline also said it planned to increase its European destination and flying frequency.

The new Boeing and Fokker aircraft promise better fuel economy than the outdated DC-8s and will meet more stringent noise abatement requirements.

pro- and anti-independence forces. He has since been appointed minister and is based in Paris.

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## Netherlands tables EEC foreign policy plan

BY QUENTIN PEEL IN BRUSSELS

PROPOSALS for increased political co-operation in the EEC, with the explicit aim of founding a common foreign policy, have been submitted by the Netherlands.

The plans will form part of the preparation by top-level national officials for the inter-governmental conference agreed on by Community foreign ministers on Monday, to open in Luxembourg on September 1.

The plans will be considered alongside British and Franco-German drafts for greater co-ordination of foreign policies, in order to draw up a Community treaty on political co-operation as part of the agreed move towards greater European union.

The code, which is not mandatory, covers a wide range of business practices, and calls on companies to:

● Recognise black trade unions and accept collective bargaining and ensure that black employees are free to form or join a trade union.

● Set minimum wages which "should exceed by at least 50 per cent the minimum level required to satisfy the basic needs of an employee and his family."

● Apply the principle of equal pay for equal work and open jobs to all races.

● Set aside company funds for housing, transport, leisure and health services and pension schemes.

● Desegregate work places.

Companies are requested under the code to submit annual reports on their performance, although only a minority of the 1,200 or more UK concerns involving direct investment of more than £50m and indirect investment of over £50m actually

respond.

The comparable code for U.S. companies operating in the Republic is named after the Rev Leon Sullivan, a black civil rights activist, who has sought to extend the impact of the principles beyond the workplace.

The Sullivan Code subscribed to by a fifth of the U.S. companies in South Africa, was strengthened last December when it called on American companies to campaign for the right of black businessmen to set up in urban areas and for complete freedom of mobility for black workers—a demand which cuts across South Africa's apartheid principles.

There is growing pressure within the EEC, however, for a tougher set of European principles. The first step would be to make them compulsory, with sanctions imposed on investors failing to report details of their operations.

Mr Willem van Eekelen, the Dutch State Secretary for Foreign Affairs, said in Brussels yesterday.

Changes in the code, to adapt and strengthen it for current labour conditions in South Africa, are being negotiated in the political committee of the 10 EEC member states, made up of their respective political directors.

The review was announced on Monday by the EEC foreign ministers as part of a strongly worded reaction to the state of emergency and continuing violence in South Africa.

Mr van Eekelen said that the state of emergency and the need to reinforce the code, had been sought in particular by his government, which faces strong domestic political pressure to take a tougher stance

The ministers' statement called for an end to the state of emergency and the release of all prisoners held under it. It also urged negotiations between the South African Government and black leaders "with the declared aim of giving proper representation to the black community at a national level."

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Mr van Eek



## OVERSEAS NEWS

## Gandhi holds talks with Sikh leader

By K. K. SHARMA IN NEW DELHI

A PACKAGE formula to resolve the long-drawn-out Punjab issue is thought to have been discussed when the Sikh leader of the moderate faction of the Akali Dal, the Sikh political party, met Mr Rajiv Gandhi, India's Prime Minister, yesterday.

The meeting between Mr Gandhi and Mr Harbans Singh Longowal, the Akali President, broke an impasse that has lasted more than three years. No talks between the Indian Government and Sikh leaders have been held since then and relations have deteriorated, particularly after the army action on the Sikh extremists

in the Golden Temple in Amritsar in June 1984, and the assassination of Mrs Indira Gandhi in October last year. The meeting, which was followed by another round of talks with senior Indian ministers and Sikh leaders, was held at the initiative of Mr Gandhi, who has given the highest priority to solving the Punjab problem.

A solution to the Punjab problem, which arises out of Sikh demands for political and religious autonomy for their religious community, is not in sight yet, observers believe. But they consider it a major breakthrough that the negotiations

have started after prolonged uncertainty.

The way was cleared for talks by a series of gestures and concessions made by Mr Gandhi in the past few months, including the release of hundreds of Sikh detainees and the relaxation of restrictions imposed on Punjab after the army action.

Despite these concessions, the talks have taken considerable time to get started. This was mainly because hardliners in the Akali Dal put pressure on the party's moderate leaders to resist negotiations.

Eventually, the Akali Dal split and the talks are now being

held with moderate leaders who are thought to have majority support among the Sikhs in Punjab.

Among the issues discussed were: the future of Chandigarh, the common capital of Punjab and Haryana; sharing of river waters; the scrapping of special courts established in Punjab to try terrorists; and an amnesty for Sikh deserters from the army.

Government sources said that there were prolonged behind-the-scenes contacts with the Sikh leaders before the talks which could last several weeks and even months before a final settlement is hammered out.

## Philippines \$925m bank loan set to go ahead

By Alexander Nicoll

A \$925m (\$670m) commercial bank loan for the Philippines finally appears set to go ahead after being dogged by delays since the end of 1982.

The loan was signed in May this year as part of a \$10bn rescue package for the country, held up first by the Government's overstatement of foreign exchange reserves and then by a series of disputes with creditor banks. Even after the signing, one of the 483 participating banks refused to provide its share of the loan. The bank, believed to be from the U.S., has now agreed to do so.

Disbursement of the first \$400m of the loan is likely to follow the International Monetary Fund's (IMF) agreement to pay out the second tranche of an SDR 615m standby credit, expected at the end of this month or in the first half of August.

## Lee outlines election plan

By Chris Sherwell in Singapore

SINGAPORE is pressing ahead with plans for an elected president with some executive powers, but it will be two years before constitutional amendments are framed and debated, Mr Lee Kuan Yew, the Prime Minister, told parliament yesterday.

Mr Lee first proposed the change 11 months ago, suggesting that the presidency—currently a ceremonial position—be given special powers to prevent a future government going on a spending spree which might deplete the country's reserves, at present standing at \$22.4bn (\$7.8bn).

The theory is that an elected head of state would have the authority to give or refuse consent over the use of reserves accumulated by previous governments. Critics have said it would transform Singapore's parliamentary democracy.

Mr Lee, who turns 62 this year, has previously hinted that he might retire to a "less active executive role" by the time he is 65.

## Peres accepts two Palestinians on delegation list

By DAVID LENNON IN TEL AVIV

TWO OF the Palestinians named by the Palestine Liberation Organisation (PLO) as potential members of a joint Jordanian-Palestinian delegation to hold talks with the U.S. and possibly later with Israel, are acceptable to the government in Jerusalem, Mr Shimon Peres, the Prime Minister, said yesterday.

Reversing his earlier rejection of the entire list, the Premier said that Israel would be willing to negotiate with two people living in the occupied territories named as Palestinian representatives.

The U.S. is planning to hold talks soon with the delegation to assess the prospects for opening direct peace negotiations with Israel. Jerusalem objects to the preliminary talks, arguing that the U.S. should realise that only direct negotiations between the concerned parties can bring about any progress.

Speaking to the Knesset Foreign Affairs and Defence Committee, the Premier is reported to have said that the PLO originally presented 22 names to King Hussein of Jordan, who rejected 15 of the people on the list, passing the names of seven to the U.S.

It now appears that after initially rejecting the seven, Mr Peres has now decided that Mr Hanna Siniara, an East Jerusalem newspaper editor, and Mr Faez Abu-Rahme, head of the Chamber of Advocates in the Gaza Strip, would be acceptable.

Reuter adds from Sidon: Four Israeli warships shelled the south Lebanese port of Sidon yesterday setting a cargo ship ablaze in the harbour, and pounding suspected militia positions in nearby hills, eyewitnesses said.

They said the warships stood between two and three miles offshore and fired in sequence, hurling dozens of shells at the harbour and into rural and hilly areas beyond the city. A medium-sized freighter, believed to be Cypriot and identified as the Roule, took a direct hit and was set on fire.

In Tel Aviv an army official said that an Israeli naval vessel on routine patrol off the Lebanese coast noticed a merchant vessel behaving in a suspicious manner and when the ship was approached it opened fire on the Israeli vessel. The Israelis returned the fire damaging the merchant ship.

## S. African police name 441 of detainees

By Anthony Robinson in Johannesburg

SOUTH AFRICAN security forces continued their roundup of anti-apartheid activists yesterday as police in Pretoria issued the names of 441 people arrested without charge during the first three days of the state of emergency declared on Saturday night. A further 60 people have been charged with criminal offences.

Despite the police crackdown, unrest continued in many parts of the country, with at least 9 deaths reported since Sunday. The funeral of 15 people killed in KwaZulu on the East Rand three weeks ago passed off quietly, however, against a strong show of strength by army and police units.

Among the mourners was Bishop Keith Sison, the Bishop of Lichfield. He was sent by the Archbishop of Canterbury, head of the Anglican Church.

Bishop Sison was accompanied by Bishop Desmond Tutu, the black Anglican bishop of Johannesburg, who in a moving speech denounced both the state of emergency and the brutal killing of alleged black informers.

Among the objects of security force attention yesterday was the Johannesburg headquarters of the United Democratic Front (UDF) which was raided at noon.

Police detained one man and emerged with a box of documents after a three-hour search. Activists from the UDF as well as the black consciousness Azapo movement figured prominently among the list of detained persons which also includes four priests and leaders of the Black Motor Assembly and Component Workers Union (Macusa) in the Port Elizabeth area.

In perhaps the most embarrassing incident for the Government, three policemen arrested Mrs Molly Blackburn, a prominent local opposition councillor in Port Elizabeth, only hours before she was due to meet a group of high-ranking members of the Ford Foundation in South Africa on a fact finding mission.

Members of the fact finding mission including Mr Cyrus Vance, former U.S. Secretary of State and Mr Robert McNamara, former minister of secretary of defence and head of the World Bank.

## Soviet staff killed in Kabul embassy attack

By Mohammed Aftab in Islamabad

Seven Russians have been killed in a guerrilla attack on the Soviet embassy in the Afghan capital of Kabul, Western diplomats said here yesterday.

The embassy has been the target of several rocket attacks in recent weeks, and one East European diplomat said that three attacks have been launched this month. The seven deaths occurred on July 2 and on July 9 when four rockets landed in or near the Soviet chancery, damaging cars and shattering window panes.

The anti-market guerrillas fired a total of 12 rockets into various other localities of Kabul on July 16. Two of them landed in the compound of Prime Minister Sultan Ali Khatmand's office, injuring two guards.

The Afghan Government announced on July 16 that 62 rockets were captured from a village west of Kabul, when extensive house-to-house searches were carried out on guerrilla hideouts.

Two Soviet-made Mi-24D advanced gunship helicopters were brought to Pakistan by seven Afghan air force officers, pilots and navigators, who have sought political asylum in Pakistan. The gunship helicopters are the first to arrive in a Western-aligned country, and the Pakistan Government has refused Kabul's requests to send them back.

Western diplomats yesterday reported heavy Soviet bombing of rebel positions in Afghanistan's Panjshir valley and guerrilla rocket attacks in the capital Kabul.

## NZ charges couple with arson

By DAI HAYWARD IN WELLINGTON

A COUPLE has been arrested in New Zealand in connection with the bombing and sinking of the Green Peace flagship Rainbow Warrior in Auckland harbour last week.

The couple, whose identities have not been revealed, have been charged with arson and murder. They will appear in court today.

New Zealand police have been holding a man and woman, travelling on Swiss passports, for some days in connection with immigration charges. They confirmed that the couple were being questioned on the Green Peace bombing.

Prime Minister David Lange said earlier that the bombing

of the vessel, in which a crew member died, had "a political motivation." The purpose of the bombing was to put an end to Rainbow Warrior's anti-nuclear protest operations.

Several people were involved in an operation which was well planned and well financed, the Prime Minister said.

New Zealand police have confirmed that for the past few days they have asked the Swiss authorities to find a couple believed to have been born in Lancashire and still living in Switzerland. However, Interpol can find no trace of the couple and an Interpol officer said: "They don't appear to exist."

Mystery also surrounds the

background of one of the four French crew members of a chartered yacht which left New Zealand a few hours after the bombing. He has been named as Dr Xavier Maniquet.

On the night of the bombing a frogman was seen coming ashore from a Zodiac dinghy and was picked up by a couple in a mobile caravan. Police said the movements of the mobile caravan were linked to the Rainbow Warrior bombing.

The couple held by police since last week had been previously travelling around New Zealand in a motorised caravan. Bail was refused and they have been held in custody.

## OECD urges labour market reforms

By PAUL BETTS IN PARIS

NEW ZEALAND must persevere with its anti-inflationary monetary and fiscal policies and resist any temptations to revert to its earlier protectionist and interventionist approach, the Organisation for Economic Co-operation and Development (OECD) urges in its annual report on the New Zealand economy.

The OECD is particularly anxious to see New Zealand introduce reforms to make its labour market more flexible and to hold down wage and price increases. The Government, for its part, is pressed not to relax its fiscal deficit reduction programme by the Paris based agency.

Although progress has been made in the phasing out of import controls, New Zealand remains nonetheless one of the

most highly protected economies in the OECD, and the agency says the sooner these controls disappear the better.

The New Zealand economic and monetary adjustment policies involving the combination of fiscal restraint, higher interest rates and the reduction of protection and subsidy in certain economic sectors, will inevitably have some painful consequences on economic growth in the short term.

Indeed, the OECD forecasts a substantial slowdown in growth from close to 5 per cent in 1984-85 to virtually zero in 1985-86 with a slow recovery in 1986-87 with growth expected to be around 1 per cent.

Unemployment is expected to rise with the unemployment rate increasing from 3.7 per cent in 1984-85 to 5.1 per cent the following year.

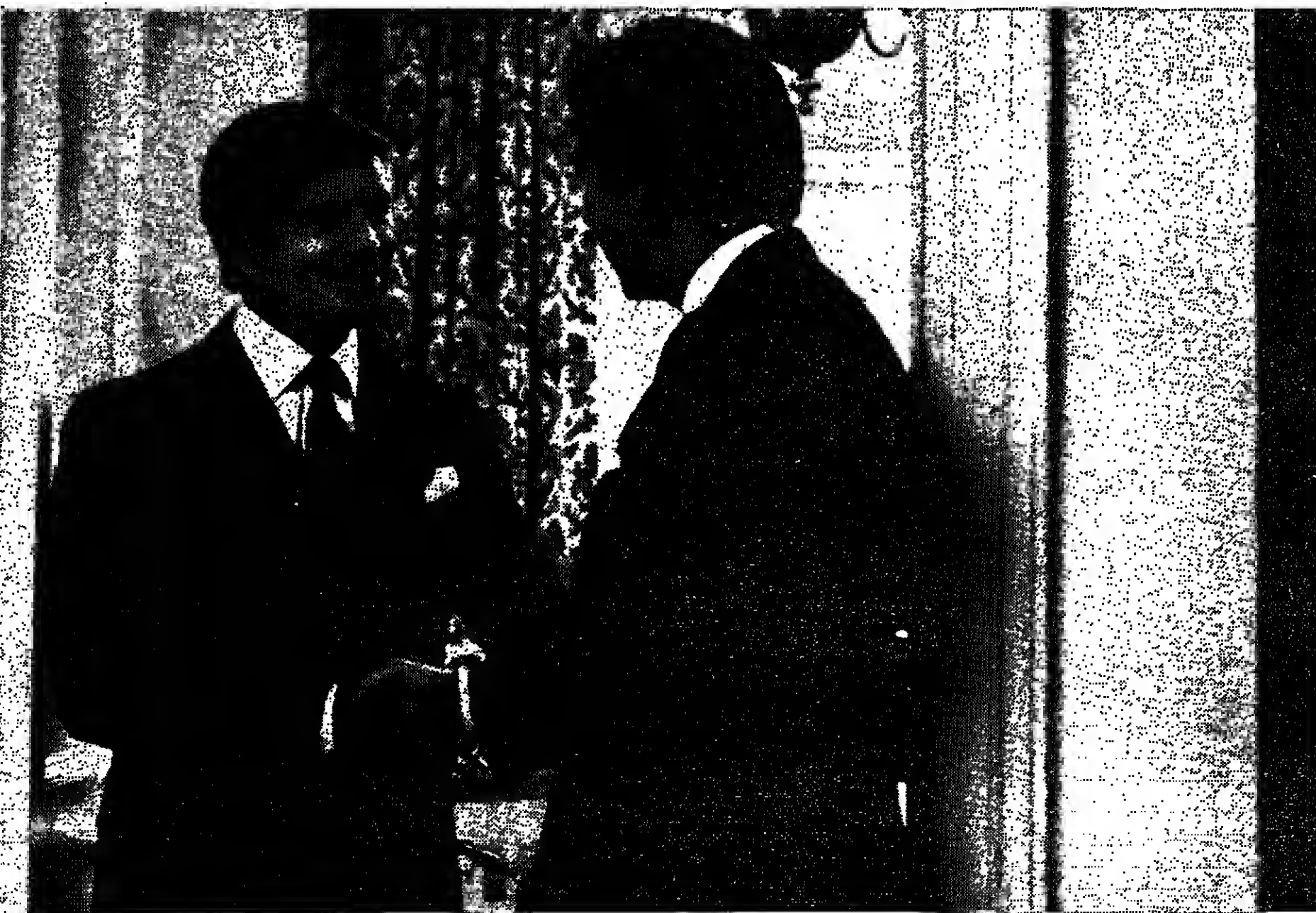
Domestic demand, which rose 7.1 per cent in 1984-85, will decline by 3.7 per cent in 1985-86 and by 1.8 per cent the following year.

The OECD warns that consumer price inflation may also rise in the next six months but that the future course of inflation may also rise in the next six months but that the future course of inflation will largely depend on the new New Zealand wage round.

With wage rises peaking this year, inflation could return to single figures with a 9.5 per cent rate forecast for 1986-87 after a 12 per cent rate in 1985-86.

The Paris agency calls the progress made so far by New Zealand in its efforts to adopt a medium term of monetary and fiscal policy to readjust its economy as "impressive."

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## AMERICAN NEWS

# NY Governor opens bi-partisan tax plan attack

BY WILLIAM HALL IN NEW YORK

NEW YORK State governor Mario Cuomo yesterday opened a new bi-partisan attack on the U.S. administration's plan to abolish the deductibility of state and local taxes from federal income tax returns, one of the most controversial elements in the tax reform proposals.

Governor Cuomo, who was addressing a New York breakfast meeting, introduced a string of political figures from his own Democratic Party such as New York Mayor Ed Koch and Senator Daniel Moynihan and Republican politicians such as Senator Alfonse D'Amato of New York and Senator Frank Murkowski of Alaska, who are backing his coalition to defeat the abolishment of tax deductibility.

There has been growing dissent among political leaders across the country since the U.S. administration unveiled its plans to abolish tax deductibility, the most widely used deduction in the U.S. tax code.

The proposal, which is estimated to save the U.S. Federal Government over \$30bn (£21.5bn) in lost taxes, has been portrayed by the Administration as only affecting people in rich states.

However, Governor Cuomo went to great lengths yesterday to show that the tax deduction was not the preserve of the rich. He said over half of the 33m U.S. households which made use of the right, had average incomes below \$38,000.

Referring to the several Republican figures, and the representatives of poorer states such as Senator Dale Bumpers of Arkansas, who joined him on the platform at New York's Hilton Hotel, Governor Cuomo said: "The current proposal to do away with deductibility is such a radical assault on the fundamental principle of federalism that it obscures any other differences we might have."

His sentiments were echoed by several Republican speakers who attacked the attempted federal raids on middle-class taxpayers' pocket-books.

Although the U.S. Administration has tried to isolate criticism of its tax deductibility proposals as primarily a case of special pleading by wealthy New Yorkers who will suffer more than most, yesterday's speakers showed that the coalition that is being formed against the proposal is far more broadly based.

ALCOHOL - the source of the sweet and sticky smell in the air of Brazilian cities these days - is giving the country's policymakers an increasing headache.

The small emanates from Brazilian cars that burn alcohol instead of, or in addition to, petrol as part of the country's ambitious plan to substitute sugar-derived ethanol for oil.

The headache comes from what the Brazilians see as growing protectionism against their ethanol exports in their number one foreign market, the United States.

This week, Mr Robert Gusmao, Brasilia's Industry and Trade Minister, has been in the U.S. seeking to persuade petrol distributors to buy up to 2bn litres of fuel ethanol per year. However, Brazil's exports face formidable hurdles: a high U.S. tariff against alcohol imports and, more important, an anti-dumping case brought by U.S. producers of ethanol from maize.

Brazil's so-called "Proalcool" programme has been a resounding domestic success, making the country the world's largest fuel ethanol producer with targeted output of 11bn litres in 1985-86.

More than 90 per cent of new cars sold in Brazil are powered by pure alcohol and demand for ethanol is projected to grow at an annual rate of 35 per cent. The country has already

reduced its oil import bill by about \$2bn a year and is in a position to begin scaling down its exports of sugar on to the surplus-ridden and unremunerative world market.

For the moment, however, Brazil is not interested merely in supplying its own market; producers see large and lucrative potential elsewhere, particularly in the U.S.

Last year it exported 850m litres of alcohol, representing 11 per cent of total production and worth about \$300m, of which more than two thirds went to America.

This year, however, exports have plunged and as a result the country has been building up a stockpile of surplus ethanol.

Brazilians are learning the hard way that agricultural protectionism does not necessarily stop with farm products.

The history of the U.S. market for ethanol is a chequered one. It reaches back to the late 1970s, when oil shocks prompted President Jimmy Carter and Congress to introduce hefty Government incentives for alternative fuels.

In 1978 Congress passed a law exempting alcohol fuels from the federal excise tax on gasoline, and two years later it authorised the expenditure of almost \$1bn on fuel alcohol research projects.



Topping-up: the "Proalcool" programme is a domestic success.

Aside from encouraging the development of a U.S. market for ethanol, those incentives have activated a domestic ethanol industry lobby to protect its interests against imports.

Ethanol imports have been sub-

ject to increasing tariffs. The import surcharge which started out at 10 cents (7p) a gallon a few years ago, has now reached 60 cents, a level which a leading official of Petrobras, the Brazilian state oil company, recently described as

"absurdly high." But the opportunities and the obstacles for Brazil in the U.S. market have grown this year.

The opportunity stems from the U.S. Environmental Protection Agency's recent decision to phase down the lead content of petrol from 1.1g per leaded gallon to 0.1g in two phases, starting this month and ending next January.

This has prompted refiners to look urgently for alternative ways to maintain the octane value of their products - one of which is to replace lead with ethanol. It has also caused the Brazilian producers' mouths to water as never before, and was the spur for Sr Gusmao's U.S. visit this week.

Brazil even has contingency plans to double its exports to the U.S. by cutting the proportion of ethanol used domestically in "gasohol," the petrol-alcohol blend.

A host of potential producers are also waiting in the wings in the Caribbean countries, which could export ethanol to the U.S. free of duty under the Reagan Administration's Caribbean Basin Initiative.

The danger lies partly in increased uncertainty in the U.S. maize-into-ethanol industry as a result of President Ronald Reagan's tax reform plan, which calls for the scrapping of tax subsidies for ethanol producers.

Faced with shrinking alternative outlets for their maize and extremely keen pricing by Brazil, 15 U.S. producers, led by a company called Archer Daniels Midland, have filed an anti-dumping case with America's International Trade Commission and one calling for countervailing duties with the Commerce Department.

Both cases, due for decision in August and November respectively are being vigorously fought by Brazil.

Brazilian producers cannot really see what all the fuss is about. After all, they reason, at current production levels the U.S. cannot meet its own likely internal needs for ethanol, estimated at up to 15bn litres a year.

One possible outcome, on past precedent, is that the U.S. will impose quotas on ethanol imports from Brazil. This is probably a solution with which the Brazilians can live, serving U.S. coastal markets, while Mid-western and other markets are left to American producers.

The prospects for other markets for Brazilian ethanol, meanwhile, are none too bright. The EEC is due to phase down the lead content of petrol over the next few years but chances are its refiners will opt for other ways of enhancing octane values.

## Baldrige welcomes signs of recovery in industry

BY OUR WASHINGTON CORRESPONDENT

COMMERCE DEPARTMENT Secretary Mr Malcolm Baldrige, grasping at better than expected new order figures released yesterday, said yesterday that he detected signs that U.S. industry might be "emerging from its doldrums of the past year."

Earlier the Commerce Department had reported that new orders for durable goods in June rose a healthy 1.8 per cent after a strong 3.3 per cent rise in May. New order figures often provide a guide to the strength of industrial activity.

The Commerce Department conceded, however, that over half the increase reflected military orders which have been strong throughout the year and

that without this component the increase would only have been 0.7 per cent.

Some pick-up in orders has been expected as a result of the running down of stocks in recent months, but it is recognised that this alone will not ensure a revival in economic growth which rose at a real annual rate of only 1 per cent in the first half of this year.

Separately, the Commerce Department also reported that inflation remains under control. The consumer price index increased by only 0.2 per cent in June. For the first six months of this year consumer prices have risen at an annual rate of 3.7 per cent.

## Reagan gives star performance for Li

By Stewart Fleming in Washington

ON A sparkling summer day, mercifully free of the oppressive humidity which normally clogs the Washington atmosphere throughout July and August, President Ronald Reagan, gaunt but standing ramrod straight as the strains of "The Star-Spangled Banner" echoed over the south lawn of the White House yesterday, welcomed President Li Xiannian of China to the United States.

It was a memorable day in many ways. The first official visit to the U.S. by a Chinese head of state and the 74-year-old U.S. President's first official public ceremony since he returned to the White House on Saturday from Bethesda Naval Hospital a mere seven days after undergoing major surgery for colon cancer.

As the Marine Corp band struck up Hail to the Chief, Mr Reagan appeared with his wife Nancy to welcome the Chinese President as he drew up outside the entrance to the White House in a black limousine.

With the Administration's political aristocracy watching, the President walked slowly but firmly the few steps to the podium, stood for the two national anthems, delivered a brief welcoming statement and then, in a break with tradition, sat while his 76-year-old guest from China completed the formal words of welcome.

From time to time Mrs Reagan, standing on the grass just a few yards away, glanced across at her husband, but without a hint of the anxiety she surely felt. Her poise in the past few painful days has won her widespread admiration. The ceremony over, Mr Reagan turned as the Army Herald Trumpets on the White House balcony above him let out a triumphal blast, leaned heavily on the brass balustrade surrounding the podium and then, unaided, gingerly negotiated the three steps to the lawn and disappeared indoors.

For the White House staff, the President's performance will clearly have justified the risk they took in exposing him so quickly to this sort of ceremonial ordeal.

But the continuing doubts about the ability of an ailing President to breathe fresh vigour into a second Administration which has been marred by more political tragedies than triumphs, will not be swept away with such facility.

## Mexico awaits austerity package

By David Gardner in Mexico City

PRESIDENT Miguel de la Madrid's restatement of his Government's austerity policy at Mexico's annual bankers' convention on Monday, in lieu of a wide-anticipated package for immediate implementation, received a mixed reception from the business community and press.

Sr de la Madrid's overall message that radical structural reform would be pursued at a gradual pace, "without precipitation," was sufficiently vague and consensual to keep most observers guessing as to how it would translate in practice.

The left-wing daily La Jornada, for example, speculates that promised cuts in public spending "through the reduction in government and public sector structures" forebodes the abolition of some under-secretariats or even a ministry, and possible company closures.

Members of the four main employers' organisations, however, welcomed the renewed commitment to a "realistic and flexible exchange rate" in order to boost non-oil exports and tourism. But in remarks to El Financiero, the local financial daily, they appear to believe that Sr de la Madrid's reiterated pledge to liberalise foreign trade would "modernise" the economy but not at a rate which might damage their interests.

## Plan of action for Contadora

THE FOUR-NATION Contadora group yesterday ended a two-day meeting with a plan of action to revive its flagging Central American peace initiative. Reuter reports from Panama City.

A communique issued by the foreign ministers of Mexico, Panama, Colombia and Venezuela said they would present the five Central American governments in early August with a study of security aspects not covered by last year's 21-point peace plan.

The ministers also invited Nicaragua and Costa Rica to start negotiations on their border tensions by August 10, in Panama; and called for Nicaragua and the U.S. to resume direct dialogue.

WORLD TRADE NEWS  
LEGAL COMMENT DAILY IN THE FT

# Fuel-alcohol leaves Brasilia with a headache

Andrew Gowers, recently in Sao Paulo, on threats to ethanol exports to U.S.

# ANOTHER WONDERFUL YEAR: EVEN MORE PEOPLE PREFER GAS

1984/5 was another successful year for British Gas. With a further 293,000 new customers bringing the total to over 16½ million, it is clear that even more people prefer gas.

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Record gas sales of 17,744 million therms.

Continuing improvements in efficiency - customers per employee up from 162 to 171, and therms sold per employee up from 174 to 186.

Increased shares of all markets: Domestic up to 60%, Industrial up to 36%, Commercial up to 31%.

Record turnover - up £491 million to £6,913 million.

A current-cost operating profit of £651 million.

Investment of £812 million in capital projects and £303 million on replacing assets such as mains, service pipes, meters, etc., once again all found from internal resources.

## BRITAIN BENEFITS

In addition to paying £131 million in tax and a further £500 million in the special Gas Levy, the industry benefits Britain in other ways. Its continuing huge investment provides business for a host of other organisations and many thousands of jobs for British workers.

The popularity of gas and the increasing efficiency and continuing success of the industry is not only of benefit to our customers, but to the nation as a whole.

From the Annual Report and Accounts of the British Gas Corporation 1984/5 available from H.M.S.O., price £2.00. Further information from the Public Relations Department, British Gas Corporation, Rivermill House, 152 Grosvenor Road, London SW1V 3JL.

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## UK NEWS

# Damon to build £30m factory in Scotland

BY TONY JACKSON, CHEMICALS CORRESPONDENT

A £30m biotechnology plant is to be built in Livingston, Scotland, by Damon Biotech of the U.S. The plant—claimed to be the biggest of its kind in the world—will make monoclonal antibodies, man-made proteins used by the drug industry. Building of the plant will be undertaken and paid for by the Scottish Development Agency, and the British Government will contribute towards the cost of job training and research and development (R&D). The project is expected to create 300 jobs during the next four years.

Damon says the investment will be one of the biggest ever made in biotechnology in Europe. Explaining the choice of Livingston as a site, Damon chairman Dr Nigel Webb said: "The UK, and Scotland in particular, has an outstanding scientific and medical community. The financial assistance offered was also an important factor."

The Livingston plant will be the manufacturing end of Damon's production of monoclonal antibodies. The existing plant in Boston, Massachusetts—where production capacity is one tenth of that planned for Livingston—will remain the centre for R&D.

Antibodies are part of the body's immune system which act against invading organisms such as viruses.



George Younger

Monoclonal antibodies are man-made versions produced by bio-engineering techniques. They were invented 10 years ago in the British Medical Research Council's laboratories in Cambridge. The advantage claimed for monoclonal antibodies is that they can be designed to recognise highly specific substances. They are already on the market in diagnostic kits used to identify diseases, and it is hoped they can also be used in cancer therapy.

Dr Webb said: "The beauty of these antibodies is that, unlike conventional pharmaceuticals, they at-

tack only the harmful or diseased cells, without damaging the body's healthy tissue. In other words, they are very safe."

Monoclonal antibodies are not yet on the market for any therapeutic use. However, Dr Webb said he expected the first licence for such a product to be granted later this year. "The worldwide monoclonal antibody market may be as much as £40m in the early 1990s."

This is not the first time U.S. biotechnology companies have been induced to come to Europe. Last December a Philadelphia-based company, Centocor, announced the setting up of a Dutch subsidiary, involving investment of \$5m at a plant near Leiden.

The major British producer of monoclonal antibodies is Celltech, like Centocor. Celltech is working on diagnostic applications, particularly through a joint venture recently set up with the retail and drugs group Boots.

Mr George Younger, Secretary of State for Scotland, said: "I congratulate Damon on bringing us this exciting project of international significance. We believe that the project does much to establish Scotland's position in the new biotechnology industry."



Norman Tebbit

## Cut-price solution for faster mails

By Jason Cripe

CYNICS WERE quick to point out yesterday that a proposed 1p reduction in the price of second-class postage stamps to 12p should help the Post Office with one of its biggest problems—its poor delivery record for first class mail.

The cut is likely to limit the growth of first-class letters (17p) which the Post Office—350 years old this month—finds unaccountably difficult to deliver on time. By reducing the price of a second-class letter by 1p to 12p from November 4, the differential between first and second class will be 42p per cent, the widest since two streams of mail were introduced in 1968. At present, about 60 per cent of the mail goes second class and that is likely to increase once the differential is widened.

The 1p reduction coincides with the anniversary celebrations, and an announcement that the Post Office has lifted profits to a record level of around £130m (excluding National Giro) in the past year. It is the overall increase in mail volumes that has enabled the Post Office to make the first cut in price of the basic mail service since the penny post was introduced in 1840. The nature of the postal network with its high fixed costs makes it particularly sensitive to the volume of mail carried.

Even now the volume of mail being carried is still less than it was in the 1960s. In spite of considerable recent improvements, productivity is still only on a par with the 1960s, when it was considered very low. After the price cut, the average price of mail is still nearly 50 per cent higher in real terms than it was in 1970.

Since taking over the chairmanship of the Post Office in 1980, Sir Ron Dearing has concentrated on increasing mail volumes. The object has been to increase volumes, lower unit costs and hold back price rises. An improvement in volumes has followed aggressive marketing where there was once none, and more recently holding price increases below the rate of inflation. There has been a sharp increase in financial mail—partly a result of the growth in the number of credit cards—and in direct mail advertising.

Productivity has also increased by 16 per cent in the last five years, largely a result of improved volumes. On one hand, new services have been cut in recent years such as second deliveries in rural areas, Sunday collections and late weekday collections in London. On the other, the number of addresses to which deliveries are made has risen at 2 to 3 per cent a year.

Those changes have occurred during a period in which the Post Office has been severely constrained by tight financial restrictions imposed by the Government.

Undoubtedly the greatest failure has been the quality of service of the mails. It has been vigorously criticised for its poor service by the Consumers Association, the Monopolies and Mergers Commission, the Mail Users Association, the Post Office Users' National Council and the Institute of Directors.

According to the Post Office's own figures, it delivers 88.8 per cent of first-class mail the first working day after collection compared with a target of 90 per cent. It has been struggling unsuccessfully for years to meet that target. Which? the consumer magazine, said last month that 42 per cent of first-class, long-distance letters failed to arrive the following working day.

Customers are also quick to point out that Post Office figures are misleading. They say the count starts only when a letter has been accepted at the sorting office, which ignores the time the letter has spent in the mail box. The count stops when the letter is sorted into a postman's "walk", which leaves room for further delay or mistakes. Also, problems caused by numerous local labour disputes do not appear in its figures because the normal practice is to close the letter boxes in the area of dispute.

Mr Norman Tebbit, Trade and Industry Secretary, congratulated the Post Office yesterday at celebrations of its 350th anniversary. He said: "The Post Office has shown that with a fully commercial approach and effective productivity measures accepted by the unions and workforce, worthwhile benefits can be shared among the workforce, shareholders and customers."

## Plan to harmonise product liability endorsed by MPs

BY IOR OWEN

PRELIMINARY STEPS by the Government towards harmonising UK law on product liability with that of the other member states of the EEC have been approved without a division in the House of Commons.

Tory MPs concerned about the effect on British manufacturers, particularly in regard to insurance costs, were content to voice their doubts and allow a motion approving the Government's intention to adopt an EEC directive on the issue to gain acceptance without challenge.

Mr Alex Fletcher, Under Secretary for Corporate and Consumer

Affairs, suggested that the Confederation of British Industry (CBI) had exaggerated the likely effect of the directive on industry. "I see no reason why we should assume, in terms of insurance costs, that anything devastating or disastrous would happen to our industry here," he said.

Mr Fletcher maintained that it was not necessarily imposing a new burden on any kind of business to place the large manufacturer and importer on the same footing as the small retailer.

He believed that the consumer

would benefit from the injection of certainty into the law on product liability throughout the Community. Retailers would benefit to the extent that consumers would be able to sue directly the manufacturers of the defective product.

At present, only the immediate supplier, through the retailer, was directly liable for products that proved to be defective. Mr Fletcher promised that there would be further consultations with interested parties before legislation seeking to implement the EEC directive was brought before the House.

## Retail jewellery sales rise by 13%

BY CHRISTOPHER PARKES

THE REVIVING fortunes of British consumers, particularly among the better-off, last year pushed retail jewellery sales to their highest level since the record year of 1979.

Unit sales rose by 13 per cent, with strong growth in gold and diamonds and a continuation of the decline in the market for silver, according to a study by European Data & Research sponsored by De Beers and the International Gold Corporation.

The value of sales of all precious metal jewellery increased by 35 per cent to total £1.12bn. The gold market alone accounted for more than £1bn of this.

However, the improvement may be falling off. The study found it began to fade in the second half of last

year, and the report concludes that sales this year are likely to remain static or perhaps fall a little.

With an eye on the improving after-tax income of the better-off, the report suggests there could be a healthy increase in sales of more costly jewellery.

The gold market is still dominated by sales of the cheapest 9-carat grade, which accounts for 88 per cent of all unit sales. However the past five years have seen the market share of 22 carat jewellery increase from 3 per cent to 7 per cent. The report puts this down to sales to the Asian community which is growing in numbers and purchasing power.

## Agencies cautious on BBC advertising plan

BY RAYMOND SNOODY

A SIGNIFICANT number of advertising agencies are against the BBC's taking advertising, a new survey published today shows.

Thirteen agencies that took part in the survey organised by Marketing Week, the trade magazine, said they were against the BBC's being required to take advertising, and a further six said they were undecided. Sixty-three agencies took part in the survey.

The survey comes as a Government-appointed committee begins looking at alternatives to the licence fee for the financing of the BBC, with advertising at the top of the list.

The Institute of Practitioners in Advertising, now working on its submission to the committee, is expected to take a strongly pro-BBC advertising line.

Mr Simon Lloyd, media director at Foote Cone & Belding, said the decision on advertising on the BBC

was probably the most significant broadcasting policy issue for a generation.

Advertising on ITV and Channel 4 produced a balanced audience that was of considerable advantage to advertisers and a great contrast with the mass audience of the U.S. Unrestricted advertising on the BBC, Mr Lloyd believes, might disrupt that balance by forcing television companies to go for the largest audiences with cheaper programmes. The quality of advertisements on British television would also fall, he believes.

One of the "undecided" agencies, Young & Rubicam, said it believed controlled sponsorship and various forms of programme co-production might prove to be equally acceptable sources of revenue for the BBC as advertising.

Most respondents favoured advertising on just some BBC channels rather than all of them.

## Stadium deal likely

BY TERRY POVEY

MR ABDUL SHAMJI is on the verge of selling his key stake in the Wembley Stadium and sports complex to a consortium of investors led by Mr Peter de Savary, the financier.

"We have spent two months evaluating Wembley's assets and have met all the shareholders," said Mr de Savary yesterday. "Mr Shamji has indicated he is willing to dispose of his interest and it is clear the buying out of his stake is essen-

tial for any restructuring to succeed."

The £50m deal being put together by Mr de Savary, who is no stranger to the sporting world having put up some £8m to finance the UK entry into the 1988 Americas Cup, involves buying out Gomba Holdings, Mr Shamji's master company, and the creation of a new holding company in which all other stakeholders in any of the existing Wembley companies would be offered shares.

## DKB ECONOMIC REPORT

July 1985: Vol. 14, No. 7

### Japanese economy rebounds as domestic demand strengthens while exports rise moderately

The growth rate of the Japanese economy slowed down greatly in the January-March quarter of 1985. Gross national product grew at a seasonally adjusted 0.1 per cent after inflation from the preceding quarter, according to the Economic Planning Agency. This quarterly gain compared to the 2.3 per cent in the October-December quarter of 1984. The slowdown was attributed mainly to the following factors:

—Exports, which had been expanding at a rapid pace, dropped 1.7 per cent from the preceding quarter, reflecting mainly the slowdown of the U.S. economy.

—Private plant and equipment investment gained merely 0.1 per cent in reaction to the big jump in the preceding quarter.

—Public works spending declined because of "frontloading" in the first half of fiscal 1984.

Compared to the same quarter of last year, however, the first quarter GNP represented a 5.2 per cent increase in real terms, indicating that the Japanese economy is still on a high plateau.

A bright spot can be seen in the personal demand of the first quarter GNP. Private final consumption expenditures turned upward in the January-March quarter by 0.9 per cent, which compared to the 0.4 per cent rise in the October-December quarter. Housing investment also increased 1.1 per cent. This indicates that the current business expansion has been gradually spreading to the household sector from the business sector.

**Domestic demand increased in fiscal 1984**

Real GNP in fiscal 1984 increased 5.7 per cent from the preceding year to mark the first 5-per-cent-level gain in five years since fiscal 1979. Of the 5.7 per cent gain, private domestic demand accounted for 3.6 per cent, representing a big jump from the 1.9 per cent in fiscal 1983. The contribution of the surplus in the current

account exports etc. minus imports etc.) and government demand were almost unchanged at 1.9 per cent and 0.3 per cent, respectively, compared to 1.8 per cent and 0.2 per cent in fiscal 1983. These figures show that the growth of the Japanese economy was sustained mainly by private domestic demand.

Above all, private plant and equipment investment in fiscal 1984 increased 11.0 per cent, reflecting easy money and favorable business performance. Noteworthy is that the rate of increase in private stocks became positive for the first time in four years since fiscal 1980. A round of inventory cuts ended in fiscal 1983 and businesses began building up their stocks in response to final demand.

Private final consumption expenditures and private housing investment in fiscal 1984 rose 2.6 per cent and 2.0 per cent, respectively. Although the rates of increase were limited to the 2 per cent level, private final consumption expenditures began picking up in the fourth quarter (January-March 1985), as did housing investment in the second half of fiscal 1984.

Exports etc. shot up 16.2 per cent thanks to the expansion of the world economy, especially in the U.S., exceeding fiscal 1983's 9.2 per cent rate of increase. Imports etc., which levelled off in fiscal 1983, rose 11.2 per cent, mirroring increased domestic demand. As a result, net exports registered a 25.0 per cent increase in fiscal 1984.

**Mining, mfg. production turning upward**

Mining-manufacturing production in the January-March quarter dropped 0.7 per cent from the preceding quarter, recording the first quarter-to-quarter decline in nine quarters. In April, however, it turned upward again, registering a 3.0 per cent increase from the preceding month. The production index of the manufacturing industry compiled by the Ministry of International Trade and Industry forecasts a 3.1 per

cent gain in May and a 0.8 per cent decline in June.

The upturn of production can be ascribed to the recovery in exports. Customs-cleared exports (dollar basis) increased 10.8 per cent in April and 0.8 per cent in May from the preceding month after recording a 6.5 per cent decline in the January-March quarter. Automobile exports to the U.S. increased sharply in and after April as the voluntary export quota was expanded to 2.3 million vehicles in fiscal 1985 from 1.8 million in the preceding year. In the same period, China more than doubled purchase of Japanese goods and services.

According to a Bank of Japan survey, exports by major corporations will see a 7.4 per cent increase in fiscal 1985. Japan's exports as a whole are very likely to continue to increase in fiscal 1985. Industrial production will follow a moderate upward trend, considering continued momentum of exports and surging domestic demand which will be detailed in the next section.

**Firm trend in capital spending**

Private plant and equipment investment, which registered a double-digit gain in fiscal 1984, is expected to continue expanding. The Bank of Japan's survey showed that major Japanese corporations will increase their capital spending by 10.8 per cent in fiscal 1985. This holds true for most industries. Steelmaking, electric power and retail industries, in particular, plan to spend more for plant and equipment this year in sharp contrast to last year's negative growth. The electrical machinery and general machinery industries will carry out active capital spending, although the rate of increase would slow down from the preceding year. The automobile industry is most aggressive with an estimated 25.3 per cent increase.

Behind the aggressive capital spending plans is a favorable business performance. Major Japanese corporations are expected to increase their pre-tax recurring profits 7.2 per cent in fiscal 1985, compared to 19.1 per cent in fiscal 1984.

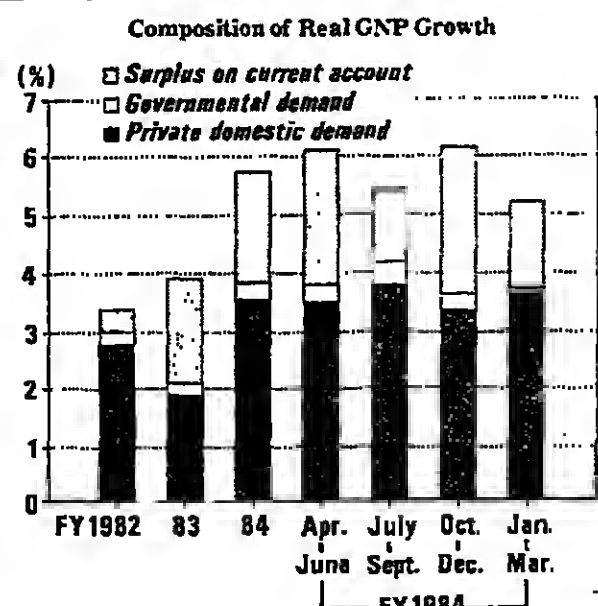
**Moderate recovery in personal demand**

Personal consumption is now on a moderate recovery trend. The year-to-year increase in sales at large retailers somewhat slowed in the October-December 1984 quarter, recording a 2.7 per cent gain, but recovered to a 3.5 per cent rise in the January-March quarter. Large-retailer sales in April increased 2.5 per cent from a year earlier. In view of the fact that there was one less Sunday in April this year than last year, the rate of increase is even better.

The average outstanding balance of Bank of Japan note issues in April and May was 6.2 per cent and 6.7 per cent higher than a year before, respectively. The level of BOJ note issue was quite high compared to the average 5.0 per cent increase in fiscal 1984.

Wage raises at major private enterprises, another yardstick for personal consumption, hit an average 5.0 per cent this year, exceeding 4.46 per cent in the preceding year.

Housing investment has also been on a steady recovery path. Housing starts in the January-March quarter rose 7.9 per cent



Note: Change from a year earlier.  
Source: Economic Planning Agency.

pected to increase their pre-tax recurring profits 7.2 per cent in fiscal 1985, compared to 19.1 per cent in fiscal 1984.

**First surplus in invisible trade balance**

Japan's balance of payments has long been recording a surplus in the trade balance and a deficit in the invisible trade balance. This changed in April, when Japan recorded a \$50-million surplus in the invisible trade balance, the first black figure ever. This was attributed to increased receipts of interest and dividends from abroad as a result of expanded net external assets—\$4.3 billion as of the end of 1984, compared to \$2.3 billion a year earlier. Receipts of interest and dividends in April totaled \$308 million, compared to the monthly average of \$232 million in 1984.

Another cause for the surplus is seasonal. The surplus in the earnings-cost balance of direct investments increases every April. In fiscal 1983 and 1984, the surplus in April accounted for 35 per cent of the year's total. For this reason, it is unlikely that the surplus in the invisible trade balance will become permanent. As net external assets are likely to increase in years to come, the invisible trade balance will probably turn black several years ahead.

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The next DKB monthly report will appear August 23.

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# Look what's happened at Britoil since the Government sold 51% of its shares.

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At the end of 1984, Britoil's worldwide reserves stood at 554,000,000 barrels of oil and 916 billion cubic feet of gas.

Now the Government has decided to offer its remaining shares for sale.

And, as in the past, it intends to give private individuals, not just City Institutions, a full opportunity to apply for shares.

Subject to market conditions the offer is planned for the end of this month.

There will be just seven days in which to make an

The Offer for Sale document and application

They will also be available from all branches of Bank of Scotland. But you can ensure you receive as soon as they are available simply by filling in

application for shares before the offer closes early in August.

forms will be published in many national newspapers.

National Westminster Bank, Barclays Bank and an application form and a copy of the Offer for Sale document this coupon.

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## UK NEWS

## British Gas on target despite sterling setback

BY DOMINIC LAWSON

THE DROP in the value of the pound cost British Gas more than £100m in its financial year to March, Sir Denis Rooke, the chairman of the British Gas Corporation, revealed yesterday.

The corporation's 1984-1985 current cost pre-tax profits of £551m on a turnover of £8,984m, although well down on the previous year's £848m, are still in line with the financial target set by the Government. The Government's target calls for an average annual return on assets of 4 per cent over four years. In the year to March 1985 - the second in the four-year plan - British Gas has made a return of 3.9 per cent, making an average during the past two years of 4.7 per cent.

But British Gas is facing a steep rise in the cost of its gas supplies. Last year the corporation paid an average price per therm of 16.28p, almost 23 per cent higher than the previous year's cost. The problem was exacerbated last year as the sharp drop in the value of sterling meant British Gas had to pay much more for the 20 per cent of its supplies which it takes from the Norwegian Frigg field.

In the UK sector of the North Sea, British Gas is now having to pay about 26p a therm for supplies from new fields, well above the average for most of its supplies from existing North Sea fields.

Sir Denis said yesterday that because of the continuing volatility in exchange rates and oil prices, the corporation was in no position to forecast what would happen to the prices it would charge to consumers. He added: "I am not feeling anything other than confused."

Up till now the corporation has managed to avoid sharp rises in the prices it charges - which would weaken its hold on the UK heating market - by reducing its non-gas costs. During the past two years a reduction of almost 9 per cent has been achieved.

In 1984-85 the corporation was a net payer to the Government of £596.7m, compared with £226m in the previous year. The gas levy was reduced from £321.5m to £500m.

Sir Denis said yesterday he was "neutral" on the benefits of privatisation.

Lec: Page 14

ROSYTH AND DEVONPORT LOSE JOBS UNDER GOVERNMENT RESHAPING PLAN

## Private companies to manage dockyards

FINANCIAL TIMES REPORTER

THE ROYAL Dockyards at Devonport, in the west of England and at Rosyth, in Scotland, are to be turned over to commercial management.

The move, coupled with about 2,400 job losses, will take place no later than April 1, 1987 and is expected to save at least £12m a year, rising to perhaps as much as £33m a year, Mr Michael Heseltine, Defence Secretary told MPs yesterday in the House of Commons. The yards have a turnover of £400m and employ about 20,000.

Immediately after the statement,

8,000 Rosyth workers said they would hold a one-day strike today in protest.

Mr Heseltine said there was almost unanimous agreement that a significant change was needed in the way the dockyards were run.

Commercial management was the Government's favoured option and Mr Heseltine said he had been much influenced by the fact that it was also the Royal Navy's preferred solution.

"The Government is convinced that the right way ahead is to retain ownership of the fixed assets and to

bring in commercial management to run them," Mr Heseltine added. He would seek competitive tenders from "competent British companies."

Regardless of the longer-term management structure, there had to be improvements in efficiency and these would involve loss of jobs.

Andrew Fisher writes: Companies which have shown an interest in managing the dockyards cover the construction, engineering, nuclear, and electronics sectors. Balfour Beatty, the construction group,

said its interest was centred on Rosyth and any involvement would be through its Scottish subsidiary.

Trafalgar House, which owns the Scott Lithgow offshore construction yard on the Clyde and was beaten by GEC over the Yarrow warship yard, could see Rosyth as an alternative to the latter, which it wanted as an extra arm for its wide-ranging engineering and fabrication interests.

Mr Terrell Wyatt, chairman of Costain, said: "We're studying what is possible. Costain is not just a building and civil engineering con-

tractor, but concerned with the design, construction, and refurbishment of process plants."

Babcock, which has done extensive defence work on the nuclear side and has a contract with the Vickers yard to build equipment for the Trident project, sees a possible link between its main manufacturing plant at Renfrew in Scotland and the Rosyth dockyard.

Weir Group, based in Scotland, makes pumps for marine and land use. It has a close association with the Royal Navy and has owned shipyards in the past.

## Art will guarantee members of Lloyd's

MEMBERS of the Lloyd's insurance market will in future be able to use their art collections as proof that they have enough assets to meet any insurance claims on them, writes George Graham.

Hogg Robinson, a Lloyd's broker, and Sotheby's, the London-based auction house, have joined to offer a scheme whereby works of art can be used as backing for a bank guarantee. The guarantee can then be used as part of the member's deposit at Lloyd's.

Sotheby's will value works of art, and a guarantee will then be issued by Barclays Bank for 35 per cent of this valuation. Barclays will be insured by Sun Alliance Insurance. Usual potential members must show individual wealth of at least £100,000 (\$139,000), half of which must be lodged with Lloyd's in the form of a deposit.

Fine art is not acceptable by itself to the Lloyd's authorities as a deposit. Nor can it generally be used to support a bank guarantee, unless the work of art is itself lodged in the bank.

Sotheby's said the scheme provided an opportunity for collectors to use their works of art as earning assets, but investment should not be seen as the main aim.

A FRESH attempt is being made to resolve a stage hands' strike that has cost the Royal Opera House, Covent Garden, in London, more than £100,000 in cancelled performances.

The dispute, about overtime, has already affected four performances of the Royal Ballet's Swan Lake.

BRITAIN would be robbed of even more independence in its defence and foreign policy by joining in the U.S. star wars project, the Shadow Defence Secretary, Mr Dennis Davies, has warned.

He spoke out as the British Secretary of State, Mr Michael Heseltine, returned from talks in Washington with Mr Casper Weinberger, his U.S. counterpart, on possible British participation.

CITY-PRICE American airline People Express has announced fare reductions on its route between Gatwick and Newark, New York, aided by the strength of the pound.

CROWDS of people at Plymouth - about 250 miles south-west of London - watched the oldest Royal Navy ship still afloat start her final voyage to the scrapyard. HMS Forth, launched in August 1936, is the last remaining Royal Navy ship to have served in the second world war.

TRACTOR sales in Britain's milk-producing regions increased sharply in the first half of this year - seen as evidence of a resurgence of confidence among British dairy farmers.

THE COST of running Britain's Houses of Parliament increased by more than twice the inflation rate over the past four years, the Leader of the House of Commons, Mr John Biffen, has disclosed. Running costs are now £77.5m, he said.

A RESHUFFLE of the top ranks of Britain's National Coal Board in the next few weeks could provide a clue to the Government's thinking about the successor to the chairman, Mr Ian MacGregor, whose contract still runs for a year.

The changes will come about because two of Mr MacGregor's senior co-directors, including his deputy, Mr James Cowan, are retiring.

SINCLAIR RESEARCH, the troubled home computer group, has promoted Mr Bill Jeffrey to be chief executive. The appointment follows several months' search to find someone to take over the day-to-day running from Sir Clive Sinclair, founder of the company.

## Nuclear group fined over waste charges

By Raymond Hughes

BRITISH NUCLEAR FUELS has been fined a total of £10,000 and ordered to pay prosecution costs not exceeding £50,000 on four charges arising from the contamination by radioactive waste of beaches near its Sellafield plant in Cumbria in November 1983.

By majorities of 10 to one, a jury at Carlisle Crown Court found the State-owned company guilty of not keeping radioactive in discharged nuclear waste as low as reasonably achievable; not giving the public adequate warning of the radiation risk; and not keeping records of radioactive material discharged into the sea. BNFL had pleaded not guilty to all the charges.

At the beginning of the seven-week trial, the company had pleaded guilty to a charge of failing to keep adequate records of its operations.

Two other charges were withdrawn during the trial at the judge's direction.

The charges, alleging breaches of the 1960 Radioactive Substances Act and the 1965 Nuclear Installations Act, all related to the discharge of radioactive waste into the Irish Sea during Sellafield's annual shutdown for maintenance in November 1983.

Sentencing the company, Mr Justice Rose said the primary purpose of the prosecution - the public investigation by a jury of the events of November 1983 - had been achieved. Punishment was a secondary consideration.

He said he bore in mind BNFL's great resources but also that those resources came ultimately from the tax-paying public.

He also took account of the fact that the discharge that was at the heart of the case had been within BNFL's authorised limits.

The judge said it was important that there had been no harm or risk of harm to the public.

He fined the company £5,000 for discharging highly radioactive matter and liquids into the sea "to such amount and at such a rate that radiation exposure... was not as low as was reasonably achievable."

## Court orders union to end ban on railbuses

BY DAVID BRINDLE, LABOUR STAFF

THE NATIONAL Union of Railwaymen (NUR) was yesterday ordered in the High Court to end its refusal to operate 25 railbuses being built for British Rail by a private company.

The union's executive committee is expected to meet this morning to determine its response to the court order, won under the Trade Union Act 1984 and believed to be the first time BR has used the law against one of the rail unions.

On the basis of its recent conference decision in favour of pre-strike ballots, the NUR may opt to protect itself under the Act by calling for a vote on its refusal to operate the trains. If the union stands firm, however, it could within days face a fine and, later, sequestration of assets.

The union is opposed to the railbuses because they were not built in British Rail's own workshops,

where 4,000 jobs are to be axed over the next two years.

The NUR executive is expected to discuss its case in the context of confrontation with BR on a broad front, including the issue of driver-only train operation which is causing continued disruption.

The NUR was not represented in court yesterday when Mr Justice McNeill granted BR's application for an order at a 30-minute private hearing. BR said afterwards: "We are glad that the court has found in our favour, but we took no pleasure from the fact that the issue had been taken to court. Everything possible has been done to solve the issue without recourse to the law."

The 25 diesel railbuses at the heart of the dispute are being built by Walter Alexander of Falkirk, Scotland. BR says one of the units is ready to be moved to Derby for evaluation.

UPDATE ON IBM, JULY 1985.

No. 7

# A surprising number of IBM products start here.



Hursley House, Hampshire.

At the end of the main street in Hursley village is the entrance to Hursley House, built in 1724. And in the grounds of the House is a complex that looks remarkably like a modern university.

Its story is fascinating.

At the end of 1958, IBM British Laboratories moved into Hursley House with a staff of 40.

Today, nearly 1,700 people work there, some with skills unique to Britain.

Hursley has grown because it has been so successful as an IBM development laboratory. It now has sole responsibility for a number of important products made and used throughout the world.

### HURSLEY INNOVATIONS

One of Hursley's earliest successes was the design of the first IBM computer to use 'microprogrammed' control. Following from this, Hursley developed a key model in IBM's first range of compatible computers, the famous System/360.

Between 1966 and 1971, Hursley was also responsible for PL/1, the first general purpose programming language for both scientific and commercial users.

More recent products developed by the laboratory include two workstations based on the IBM Personal Computer and the 3279, which is IBM's standard colour display terminal.

Because graphics, particularly in colour, are

able to communicate far better than numbers, the demand for systems with sophisticated graphics facilities is growing. Hursley shares worldwide responsibility for developing IBM's computer graphics.

### TRANSACTIONS BY THE MILLION

Hursley has also been assigned the continuing development of IBM's most successful software program, which enables large banking, insurance and manufacturing companies to keep track of millions of different transactions throughout the world.

As information handling grows, so does the need to store it. Hursley is at the forefront in designing disk storage devices which are faster, smaller, cheaper. And provide ever-increasing capacity.

Many of these products are manufactured in IBM's British factories - which now export a surprising 85% of what they make.

The demands of information technology are accelerating and so are the challenges to the laboratory. Little did the builders of Hursley House realise that they were laying foundations for a high-tech future.

For more information, please write to: IBM United Kingdom Limited, External Programmes, South Bank, London SE1 9PZ.

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## NOTICE OF REDEMPTION

To the Holders of

## Bank of Tokyo (Curaçao) Holding N.V.

U.S. \$100,000,000 12% Guaranteed Bonds Due 1992

NOTICE IS HEREBY GIVEN to the holders of the 12% Guaranteed Bonds Due 1992 (the "Bonds") of Bank of Tokyo (Curaçao) Holding N.V., a Netherlands Antilles corporation established in Curaçao (the "Company"), that pursuant to Condition 5(b) of the Terms and Conditions of the Bonds, the Company has elected to redeem, on August 23, 1985, a part of the Bonds in the aggregate

principal amount of U.S. \$6,000,000 and bearing the following serial numbers at the redemption price of 101% of the principal amount thereof, together with accrued interest to such date of redemption which will amount to \$71.19 for each Bond.

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## MANAGEMENT

MANY European and American companies are responding to the challenge of Japanese competition with all the precision of a novice duck hunter who either aims at the wrong kind of bird or shoots persistently behind his prey.

Such companies are not only failing to achieve a vital competitive advantage which the Japanese gain every day, by cross-subsidising between national markets. By becoming preoccupied with matching Japan's low-cost economies of scale, and neglecting to build strong international distribution networks and brand franchises, they have also ensured that they remain behind the Japanese competition — and vulnerable to it.

This is the essence of a broadly-based and swinging attack on conventional wisdom about global competition and strategy by two academics writing in the latest edition of the Harvard Business Review. "The current perspective on global competition and the globalisation of markets is incomplete and misleading," argue Gary Hamel, a lecturer at the London Business School and Professor C. K. Prahalad of the University of Michigan. "Corporate response to the threat is often misdirected and mistimed," say Hamel and Prahalad, who call for new concepts of competitive analysis and organisational structure.

Patterns of international cross-subsidisation apply to many industries, they claim, including consumer electronics, computers, aircraft engines, tyres and chemicals. In each case it has been international cash flows rather than scale economies which have determined competitive success.

"Global competitors are not battling simply for world volume but also for cash flow to support new product development, investment in core technologies and world distribution." Competitors with global distribution and wide product lines are best able to justify investments in new core technologies. "Witness Honda's leadership in engine technology, a capability it exploits in automobiles, motorcycles, snowmobiles, lawnmowers, power generators and so forth." Hamel and Prahalad argue that companies which decide just to "nestle in their home beds" will be at an increasing disadvantage in terms of resources. If not costs. "They will be unable to marshal the forces required for a defence of the home market."

If a global competitor spots a more favourable growth rate in a foreign market populated by contented and lazy competitors who are unable or unwilling to fight back, and to customers that are less price

sensitive than at home, "it will target that market on its global road. Domestic competitors will be caught unaware."

The implications for strictly domestic companies are clear, say Hamel and Prahalad: they must fight for access to their competitors' market. "If no one challenges a global competitor in its home market... its profitability rises, and the day when it can attack the home markets of its rivals is hastened. That IBM shares this view is evident from its pitched battle with Fujitsu and Hitachi in Japan."

In the TV set industry, by contrast, the two writers castigate U.S. manufacturers for their inadequate response to the emergence of global competition, and underline the problems currently being experienced by Europe's leading company, Philips, in spite of its clear recognition of global realities.

Having broken into the U.S. TV market during the 1960s by exploiting their cost advantages, and by offering higher quality, Japanese companies began to recognise the vulnerability of

their competitive position. As Hamel and Prahalad emphasise, "labour costs change as economies develop or as exchange rate fluctuates. The world's lowest-cost manufacturing location is constantly shifting: from Japan to Korea, then to Singapore and Taiwan."

The advantages to be gained by economies of scale are particularly vulnerable to radical changes in manufacturing technology, the authors stress, as well as to creeping protectionism in export markets.

Throughout the 1970s Japanese TV makers therefore invested heavily to create strong distribution channels and brand franchises, and thereby to "add another layer of competitive advantage." They "forced" distribution channels by rapidly accelerating product life cycles and expanding across contiguous market segments. By the end of the decade, "the Japanese competitive advantage had evolved from low-cost sourcing, to world-scale volume and worldwide brand positions and, finally, to a focus on consumer electronic products."

All this had developed out of the "loose brick" that the Japanese had found 10 years earlier in the U.S. market: the unserved market segment for small-screen, portable TVs.

But most U.S. TV makers failed to understand the intentions of their rivals, and correctly to interpret their changing tactics. They responded by reducing costs and catching up in technology. Even RCA, GE and Zenith "patted themselves on the back for closing the cost gap, the Japanese were cementing future profit foundations through investment in global brand positions — not just in the U.S., but in Europe and third markets, with all the consequent potential for cross-subsidisation."

While Zenith and RCA had dominated the TV business in the U.S., neither had a strong presence elsewhere. "With no choice of competitive venue (unlike the Japanese), American companies had to fight every market share battle in the United States. When U.S. companies reduced prices at home, they subjected 100 per cent of their sales volume to market pressure," Matsushita

could force them to cut prices, but thanks to its wide global spread only a fraction of its business was similarly exposed. Like the U.S. TV set makers, companies defending domestic positions are often short-sighted about the strategic intentions of their competitors, warn Hamel and Prahalad. "With no appreciation of strategic intent, defensive-minded competitors are doomed to a perpetual game of catch-up."

From its European base, Philips has always benefited from the kind of international distribution system that its U.S. competitors lack. It has also, belatedly, established low-cost manufacturing. But it has its own set of problems, especially those of "weaving disparate national subsidiaries into a coherent global competitive team."

International companies such as Philips and General Motors prospered in the fragmented and politicised European market by adopting the "local face" of a good multinational citizen, recall the two authors. Today Philips and other multinationals need a global strategic perspective, and a corresponding shift to the locus of strategic responsibility away from country organisations. But this need conflicts with escalating demands by host governments for national responsiveness.

The resulting organisational problems are complex, and require complex, ambiguous solutions, in which the authority for resource allocation needs to be located at different points in the organisation for different "subsystems" — manufacturing, marketing, distribution and so on.

Because of this decentralised and self-contained "strategic business unit" structures (SBUs), which have been popular in the U.S. for many years and are now taking root in Europe, are inappropriate, claim Hamel and Prahalad. "A strong corporate strategy may facilitate investments in international distribution," and the independence of the various businesses may make it difficult to cross-subsidise between them.

Global competitors may have to "slice the company one way for distribution investments, in another for technology, and in still another for manufacturing." As in their understanding and implementation of global competitive strategies, they "must have the capacity to think and act in complex ways." New analytical concepts and new organisational arrangements must go hand-in-hand.

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## Training

## An advocate of change

Alan Pike talks to Sir Richard O'Brien of the EITB

"IF A COMPANY has to recruit adult labour from the outside market the directors should be complaining to the personnel manager. There should be no need to recruit from outside if a company is training its staff properly."

Sir Richard O'Brien makes this statement with the certainty of one who has no doubt about the link between industrial training and economic success. Judged by the overall level of investment in training in Britain in the past, though, the link has seemed less certain to many UK industrialists. A recent Manpower Services Commission estimate put spending on training by private sector companies at 0.15 per cent of turnover — which compares with at least 3 to 4 per cent by leading companies in West Germany, Japan and the U.S.

But Sir Richard is convinced that a fundamental change in attitudes is under way. If this is so, he has undoubtedly played a part in bringing it about. Sir Richard retires this month after three years as chairman of the Engineering Industry Training Board, one of the handful of statutory boards which survived the Government's enthusiasm for the introduction of voluntary industrial training efforts after the 1979 election.

At earlier stages of his career Sir Richard had a background in engineering as a director of Delta Metal and Industrial Relations director of the then British Motor Corporation. But the most remarkable part of his previous experience which he took to the EITB was six years, between 1976 and 1982, as chairman of the Manpower Services Commission.

During his time at the MSC the New Training Initiative was devised — to improve links between school and work, reform apprentice training and find ways of enabling adults to respond to the needs of technological change through regular retraining. At the engineering training board, Sir Richard has experienced the difficulties and satisfaction of implementing these guiding principles.

The changes in attitudes towards training which Sir Richard detects in the engineering industry arise from the very fact of new technology itself. "You simply cannot run

a flexible manufacturing system unless you know exactly what you are doing. The consequences of not knowing what you are doing are catastrophic. "There are few engineering companies today, from the smallest to the largest, which do not talk the language of new technology. This impact of technological change means that they must completely rethink their attitudes to training."

Some of Sir Richard's ideas on what the reform of training will mean to the engineering industry are far-reaching. He suggests that the UK engineering industry of the near future will employ only qualified staff. "It will no longer be efficient to have unqualified people in an engineering company. Every-one has to be properly trained and performing functions which deserve to be recognised by good practical qualifications and certification."

The supervisory area is one where Sir Richard believes the industry particularly needs to employ more highly qualified and well-trained staff, including people of engineering degree level.

## Immediate

As Sir Richard acknowledges, the problem is that the benefits of training often do not come on stream until long after the initial investment has been made. For this reason many employers have traditionally preferred to invest in areas of more immediate return and worry about shortages of skilled workers when they arise.

This is precisely the sort of problem that the training board has to worry about. But during the period when Sir Richard was appointed to the EITB it was equally preoccupied with worrying about itself.

Although the board had survived the Government review which led to the abolition of a majority of statutory training organisations, a number of the UK's most prominent leading engineering companies had lost all confidence in it.

This culminated in representatives of Ford, Austin Rover, CEC, ICL, Lucas Industries, Perkins Engines, Smiths Industries, STC, Talbot, Plessey, TI Group, Vauxhall and Vickers last year calling upon Tom King, the Employment

Secretary, to abolish the EITB. The critics accused the board of being preoccupied with old-fashioned mechanical engineering craft training at a time when advanced technology — and a growing shortage of key workers to operate it — were the true priorities facing engineering training.

Relationships between the board and some of its most prominent customers were remarkably low. Board officials accepted some criticism. But they argued, there was surely a case for reform rather than abolition.

The Government, however, decided against abolition and Sir Richard has led the EITB down the path of reform.

Innovations since last year have included the creation of a new advanced technology training unit within the board. Development programmes for board members and the use of secondments from the industry — are taking place to ensure that the EITB can provide companies with the right advice and services.

Sir Richard believes that, as a result of these and other changes, there is now more sympathy and understanding about the board throughout the engineering industry.

The man who was chairman of the Manpower Services Commission at a time when there were far more statutory training boards than there are today remains convinced of the need for a statutory organisation in engineering, with power to levy money from employers to finance the wider training requirements of the industry.

And the man who chaired the MSC when the present New Training Initiative priorities were launched believes that the idea of a French-style national training tax should form part of the debate over how to achieve those objectives.

"I am absolutely in favour of employers being responsible for recruitment and for meeting the costs — including training — involved in that recruitment. I am not implying that the costs of training should shift from employers to the State. But there are important questions to be resolved about how costs should be shared to reflect local, industrial and national levels of interest. The case for and against a national training tax must be considered in this context."

## TECHNOLOGY

## Case for using glue is stronger than ever

MENTION GLUE to the average engineer and he is likely to look uneasy and reach for welding torch or riveting gun.

That attitude is no longer warranted; work just completed by the Production Engineering Research Association (PERA) at Melton Mowbray shows conclusively that adhesive bonded joints in sheet steel are stronger than either riveted or spot-welded joints of the same dimension.

The trouble is that adhesives are not as widely understood and documented as the conventional engineering methods of joining components. The characteristics of metals, after all, are widely known and trusted by engineers and there are basically only three — steel, copper and aluminium and their alloys.

Where permanent assembly is needed, manufacturers may be missing out by not giving more consideration to adhesives. PERA believes joining methods could be radically altered, whether the components are made of established materials

or the new "composites" (fibres or metal in plastics) that are coming into increasing use. For several years it has been closely examining adhesives and their use in a project supported by the Department of Trade and Industry, seven leading adhesive manufacturers and 28 engineering companies.

Some interesting findings have emerged. For example, an extensive programme of practical tests at Melton Mowbray showed that the procedures commonly used to evaluate adhesive performance are inadequate for engineering purposes. In particular, existing lap, shear and peel tests were shown to be ill-conceived, irrelevant and misleading, especially when applied to rigid components.

Furthermore, PERA believes that much of the development work in formulating adhesives for structural applications has been misguided and has led to a concentration of effort in areas which are of little practical use. The so-called "toughening" of adhesives. Complex and vague theories have emerged to explain relatively simple matters. In general, the association finds

Tests show that adhesives produce tougher bonds in steel than welding or rivetting, reports Geoffrey Charlish

a need for improved data about adhesives.

By going back to first principles, it has established that the strength of an adhesive bond can be predicted reliably if the material properties of the adhesive and the components to be bonded are known. The methods are simple and use no complex technology.

Many manhours of trials have been conducted to analyse the performance of lap and scarf (diagonal) joints using proprietary adhesives, but the results remain confidential to the programme participants at the moment.

But details of the work on joint strength prediction have

been converted into microcomputer software to allow engineers to deal with a wide variety of joints and loading conditions.

There are several advantages in using adhesives. Unlike most mechanical methods, no critical positioning of the parts is needed and manufacturing tolerances can be relaxed.

Often, sealing and joining can be accomplished in one operation. There is no heat or force, so that the components are seldom distorted or damaged. In production, access to the job is only needed from one side, giving an advantage in modern flexible manufacturing systems. In some cases, load distribution in the components making up the manufactured product is better and vibration transmission is reduced.

But there are drawbacks. For example, adhesive processes are slow compared with say, spot-welding or riveting. Time is needed to apply the adhesive properly and to allow it to cure.

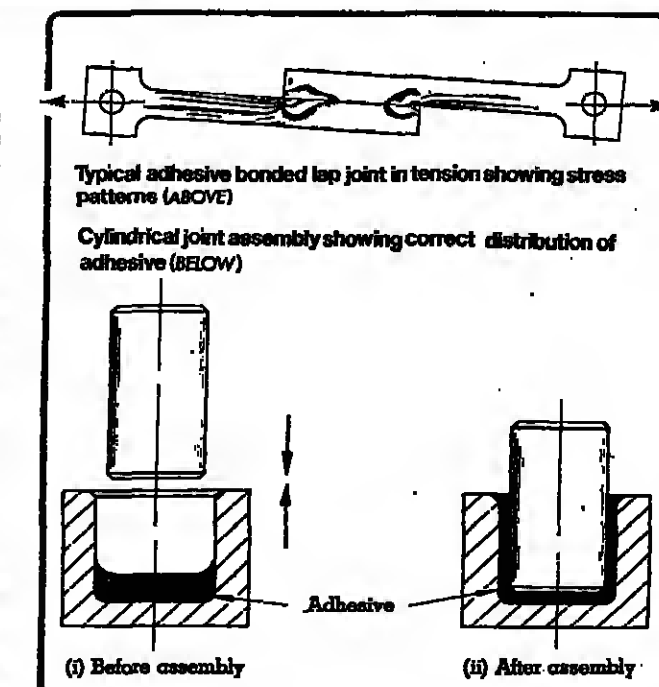
In general, the less time required for the bonding process, the poorer the performance of the joint. With hot melt adhe-

sives for example, there may be only 40 seconds or so available to get the parts into position after application of the adhesive.

It also has to be appreciated that the polymers used for adhesives are not as strong as engineering metals. So the joints must have sufficient area — usually achieved by lap joints. But joints are almost always never strong enough.

New factory disciplines are needed for adhesives. Surfaces often have to be cleaned or abraded, and the technique may vary with both the adhesive and the material surface. For each process, techniques have to be developed for the removal of excess adhesive squeezed out of a joint, although this can be minimised by applying a minimum quantity in the first place. So costs may be incurred above those of normal joining methods.

A third of the 80-page PERA report is devoted to production processes, covering surface conditioning, adhesive preparation and application, component assembly, surface wetting, solidification and joint inspection.



Adhesive bonding can be automated, although most of the applications are still in the vehicle industry. The main advantage is the control of adhesive application and component positioning can be improved, raising quality. In addition, human operators are not subject to hazards.

Further work is planned at PERA, which seeks further sponsorship from adhesive makers and users.

## Bright prospects for independent computer maintenance industry

WHAT FUTURE for independent computer maintenance companies, pincered between computers designed never to break down and computers whose faults can be diagnosed over a telephone line?

The answer, surprisingly, is bright in most parts of Europe, according to a survey by New York based consultant Frost and Sullivan which estimates growth rates of over 30 per cent a year up to 1989 in many European countries.

Third party, or independent,

computer maintenance is a comparatively recent phenomenon in Europe although it was already well developed in the U.S. in the 1950s. Traditionally, computer manufacturers have provided maintenance as an additional and profitable part of a system sale, although many large users recruited and trained their own maintenance departments.

Third party maintenance (TPM) has a number of advantages, users say, according to Frost and Sullivan. These in-

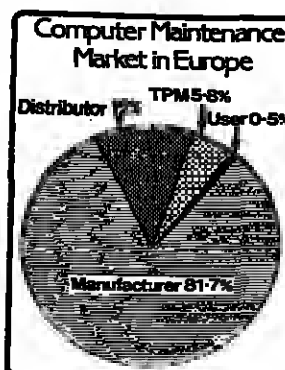
clude costs which are invariably cheaper than the manufacturers' own maintenance service. Computer Field Maintenance, for example, reckons to charge typically 15 per cent less.

Third party companies are reckoned to be faster and more responsive.

There are drawbacks, however. Manufacturers argue that TPM engineers are inevitably less well trained and up to date than their own specialists. Furthermore, they may not hold adequate stocks of spares or at the same price as the manufacturers.

What of the future? Remote diagnostics, pioneered by the Amdata Corporation in the U.S., makes it possible to identify hardware and software faults at a distance from signals sent over a telephone line. Frost and Sullivan believes that TPM companies will invest in this kind of equipment when there is sufficient market pressure.

Hardware repair still mean sending an engineer out with a replacement part even if the actual fault can be diagnosed remotely.



Frost and Sullivan notes, what will there be to maintain on it? In the U.S., there is already evidence that companies are finding it cheaper to insure against their computers going wrong than to sign what seems to them inordinately expensive maintenance contracts.

Such schemes are available in Europe but have made little impact yet. Third Party Maintenance in Europe \$1,950.

ALAN CANE

## Bonus for prepaste wallpaper

BRITAIN'S wallpaper industry could receive a boost from the development of a new series of solvents that makes production of prepaste coverings less complicated.

Prepaste wallpapers have emerged in the past 15 years and represent a major technological achievement. For the householder or professional decorator, they remove from paper hanging the tiresome and messy business of mixing up paste and slapping it on the wallpaper.

Instead, the prepasted paper is immersed in water for about 30 seconds to dissolve chemicals in the paste. In contact with the water surface, the chemicals form bonds that are responsible for adhesion.

The problem for the paper manufacturer is coating on the paste. Most available techniques are complicated and entail other production processes besides the printing techniques with which the manufacturer is familiar.

Allied Colloids, the Bradford-based chemicals and process-treatment company, has introduced new forms of paste in solvents which can be applied to paper by rollers normally

used for printing patterns.

As a result, it says, a paper manufacturer interested in extending its production to the prepasted type of product can do so without buying expensive hardware geared specifically to printing.

Furthermore, the wall-covering enterprise can quickly change its production routine to turn out a prepasted version of a popular pattern normally supplied in the non-pasted form. All it has to do is to add a quantity of paste to a roller system normally employed for printing.

The paste is in the form of an inorganic salt of an acrylic compound. The water-soluble salt is added to the paper by a roller while dispersed in an organic solvent such as white spirit. The paper needs only to be dried in an oven (to evaporate the solvent) before it is supplied to the shops.

Conventional techniques to add paste to wallpaper to manufacturers' factories are more complicated. In one method, a starch slurry is added by special equipment in which compressed air regulates the thickness of the coating. This has largely replaced an earlier technique in

which starch dust (which forms the adhesive) is sprinkled onto the wallpaper. Processes which involve starch-based pastes suffer from the drawback that the starch is decomposed at high temperatures.

PETER MARSH

EDITED BY ALAN CANE

## More to offer in CAD/CAM

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Telephone: 021 735 5882  
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## Sun power for Alpine telephones

CHALETs AT Swiss skiing resorts are to be equipped with solar powered telephones by Plessey Radio Systems. Having, in a £100,000 deal with the Swiss telephone administration.

The resorts, high in the Alps, are beyond the reach of both the fixed telephone power supplies.

The Plessey units get the necessary power from a pole-mounted solar panel. Connection to the nearest telephone exchange is by means of a 1,500 MHz radio link. The system developed for remote parts of the Third World, but the Swiss are the first to take advantage of it.

## An electronic message taker

A DEVELOPMENT by Convergent Technologies, Merham, allows workstations in office systems to be connected to both voice and data networks.

Called Voice Processor, the system allows the user to benefit from message taking, storing and forwarding for digitised voice messages as well as keyed data.

Verbal messages dictated into the system are digitised, that is, they are turned into a coded stream of pulses of the same form as computer data.

The system can be sent over the internal system bus data, or externally over phone lines via a modem.

## New CAD unit

APPLIED RESEARCH of Cambridge has launched Prolog, a £35,000 stand-alone colour workstation for computer aided design (CAD). It comes complete with CAD software for architectural, construction and engineering applications, as well as hard and floppy disk and a printer.



## THE ARTS

Television/Godfrey Hodgson

## The case for a sporting channel

Sandy Lyle had played his drive to the 18th and his partner, the avuncular Christy O'Connor, was poised to hit his when a distant tumult was relayed from the green.

A streaker, on the sacred turf of Royal St George's. Following instructions to give no encouragement to such exhibitionism, Ricky Tilling, the BBC senior director who was picking the shots from the trailer, selected only a long shot, from which it was, however, possible to perceive that the streaker was of the male gender.

The commentators made little fuss of the incident. Sport on television has become a very big fuss indeed, and nowhere a bigger fuss than at the Open. Wimbledon with almost as many cameras and bigger audiences is more static and more predictable; the Test match, in comparison, where Richie Benaud's late night highlights are a thing of swift editing and enlightening commentary, is a doddle.

The BBC's presence at Sandwich, for example, consists of five full-out broadcast units, not to mention half a dozen other assorted vehicles for television or radio.

On the course, 15 live cameras in fixed positions were supplemented with three mobile mini-cameras. Some of the cameramen were perched high on gantries of scaffolding, others lifted 30 ft into the air in the bucket of mobile cranes.

You take it for granted that you will hear the wind whistling across the Sandwich dunes, the crack of the driver and the fat pop of well hit iron shots dropping on to the green.

You probably don't realise that these sounds come to you by courtesy of fixed line mikes on every tee and every green, supplemented by sound men roaming the fairways.

Out on the course the BBC alone has between 40-50 miles of the new, improved coaxial cable, which takes five days to rig and ABC, Kerry Packer's Channel Nine and the Japanese are here in force, too—not to mention OB units from ITN, for the spot news, and from a facilities house, Trifon.

For the moment, European networks get their coverage from the BBC via Eurovision.

But with the Spaniards and the West German Bernhard Langer to the fore, not to mention the Irish and the Swedes, it can only be a matter of time before another half dozen OB vans, each as big as a horsebox, put in an appearance.

Seventy steps up on the roof of the stand behind the 18th green, Harry Carpenter and the rest of the commentary team peer into monitors.

The call to the commentary "box" is a misnomer: it is a wooden hut 30 ft long, and more than 20 people are at work there.

Alongside each commentator there is a scorer in headphones, and along the other wall of the commentary box another dozen people are watching Aston and Ryley computer graphic machines to put players' names, hole indent, scores and leader board on your screen.

In the BBC trailer, the director, Tilling, and his executive producer, Harold Anderson, are sitting at a panel of monitors that would not disgrace any of the studio's five VTR machines playing into three VT sources and 10 live camera pictures available on two remote monitors.

When Royal St George's was used as an artillery range in World War II, Henry Longhurst said it was like chucking darts at a Rembrandt. What would Longhurst say now if he saw the rolling acres of large and wildflowers transformed into a sound studio?

He was a cantankerous chap, and his thought might not be printable. But any thoughtful view of the impact of television on sport, and the scarcely less dramatic impact of sport on television, would have to be a balanced one.

Professional sport is fast turning into sport on television. Crowds dwindle at all but the biggest football and cricket matches. Lords and the Oval, as well as first division football grounds, may soon be abandoned to the exhibitionists.

It is increasingly tempting either to play yourself—both park football and beer cricket are more popular than ever—or to watch the very best in the best way. At home, you are sheltered from the hazards of weather, public transport and fellow spectators alike.



The BBC cricket commentary team at Lords

There is more to it than that, though. I was lucky enough to watch the Lord's test from the balcony of a friend's house. Every time we saw a wicket fall, we rushed into the box to watch it again on television. So—because otherwise we were not sure what we had seen.

So television is transforming the traditional professional sports. It is also taking up as sports what our grandparents called "pastimes". Yesterday darts, today snooker and bowls, tomorrow spilkittens.

People who have never posted the black at pop-eyed over snooker long past bedtime. Working class families where granddad would have sneezed at a pink coat of arms, largely jumping and evening as granddad once followed Transmere Rovers.

As television brings in a new audience for old sports, and new audiences for sports that have scarcely had an audience before, professional sport without the lack of money. Amateur sport

tries to become professional. Yet money in oceans is available for sport on television.

The BBC has just recirculated to its producers a well-meaning document laying down the ground rules for keeping sponsors to so much free publicity, and no more. The task may be a worthy one. After all, as long as we allow no advertising on the BBC, it does seem a little illogical that the BBC should interpret that to mean "no advertising except on sports programmes".

Yet the effort reminds me, not so much of the old lady who tried to sweep the sea back with a broom, as of the King Canute of legend, who thought he could simply tell the tide to recede.

For advertising is everywhere on BBC sports programmes already. There are the ads for Honeywell computers on the cricket, and for Burroughs on the golf. There are racing cars advertising works teams and cricket competitions sponsored

by insurance companies or cigarette manufacturers. There are the ads round the edge of cricket fields and football grounds, the show jumpers and racehorses with names that make them four-footed billboards. The camera lingered repeatedly on David Graham's bat as it pure chance that it carried the legend "Manufactured by Hanover".

A nation cannot exist half-slave, half-free, said Abraham Lincoln, and an international sporting system cannot exist half-amateur, half-commercial. There was genuinely a lot to be said for amateur sport, but it is a long time since it was cremated and its ashes taken to the United States of America.

British sport—like British banking, insurance or communications—occupies a disproportionately large corner of a world professional sports industry which over the past 20 years has been dominated by the United States.

All this is familiar enough. What no one seems to have done is to draw the logical conclusion: a separate sports channel on television.

That would enable those of us who love to watch golf all day and snooker all night, with cricket highlights as a nipper, to do so without interfering with the habits of those of our loved-ones who want to watch soap operas, or news, or the Open University.

It could not only pay for itself in advertising and sponsorship.

It could generate some money to improve training facilities for British athletes, footballers, tennis players and snooker players. Any wise industry makes provision for training and research and development.

Incidentally, it would make a valuable contribution to the BBC's revenues, because the BBC sports department is so professional and so talented that the sports network would have to take much of its coverage from the BBC.

Wouldn't that be the best of all worlds? And in the meantime, wasn't it a good idea of Channel Four's to give us the Tour de France?

Ballet Rambert/Battersea

Clement Crisp



Bruce Michelson, Mark Baldwin and Mary Evelyn in "Revolutionary Gestures"

Ballet Rambert is installed for a season in the Big Top in Battersea Park, sponsored by the Ford Motor Company, and it showed its newest creation by Richard Alston as the centre of an opening programme on Monday.

The title, *Dangerous Liaisons*, owes nothing to Choderlos de Laclos and everything to Simon Waters, whose electronic score provides name and ground-base for Alston's high-energy dances.

The music is sharply, often harshly contrasted in sonorities; the choreography, using two trios of one man and two women, breaks and re-forms from an initial structure, its permutations seeming linked by the echoing and transfer of movement ideas, or by the fracturing of anticipated patterns.

It is very satisfying to watch, not merely on the obvious terms of its ingenious fragmentations and re-alignments of forces, but through the sure way that Alston controls the ebb and flow of activity.

The performers are discretely dressed—lurex tights, faintly patterned with colour at waist and hip by Richard Smith, one worn over leotards—and their physical relationships are enhanced by Peter Mumford's lighting, outlining them boldly or shadowing them with mystery.

There may be emotional threads to be seized after further viewing, but like Alston's *Rainbow Ripples* which preceded it in the programme, *Liaisons* pleases by the way its forces are marshalled on stage in non-traditional fashion. The dancers—Catherine Berque, Siobhan Stanley, Ian Stewart, Lucy Bethune, Catherine Price, Robert Poole—do handsomely well.

*Rainbow Ripples* cast its usual unpredictable spell, strong dancing set against—some might say—the canonic repetitions and overlaying of words, with the sudden prettiness of xylophone and marimba tunes a final release of verbal and dynamic tension.

It looked good in its new home—whatever the indignities of the tent itself, its stage is generous in area and it was given with entire assurance by its cast.

This first of three programmes begins with the garrulities of Dan Wagoner's *Revolutionary Gestures*, a caprice that seems longer than Porsolt but less comic, and ends with Christopher Bruce's *Ghost Dance*.

Ballet Rambert's season got off to an auspicious start with the news that the company had raised more than £300,000 of its £500,000 appeal. The money is needed to finance the conversion of its new studios at 94, Chiswick High Road, and to create an endowment fund to finance new ballets for the repertoire.

The latest contributor has been American Express which has given £10,000 towards a new ballet for 1986, Ballet Rambert's Diamond Jubilee Year. A new production costs around £15,000.

I Promessi Sposi/La Scala, Milan

Freda Pitt

Alessandro Manzoni's great historical fresco, *I Promessi Sposi* (The Betrothed Couple) remain the Italian novel, and the one literary work apart from Dante's *Divina Commedia* that Italian schoolchildren are sure to encounter. Manzoni was born in Milan in 1785; bicentenary celebrations have been taking place all the year.

As the last ballet of the Present season La Scala is presenting, in the magnificent porticoed courtyard of the Ca Grande, a two-act version of the novel as a tribute to the author for whom Verdi wrote his Requiem Mass.

When choreographers have broached Anna Karenina and *A la recherche du temps perdu*—quite apart from all the Shakespearean piling—one could hardly claim that *I Promessi Sposi* should be treated as a sacred text. Nevertheless, it offers particular difficulties. What is most satisfying to a modern reader is less the story than the writing, above all the subtle irony with which the book is permeated without contradicting the profound religious faith expressed throughout.

Furthermore, the two married peasants of the title are no village Romeo and Juliet. Lucia spends more time praying, blushing, stammering and weeping than one could tolerate in a theatrical presentation, and her passion is, strictly speaking, her heroism, lies in action. It is hardly surprising, therefore, that Orietta Dorella's interpretation has little in common with Manzoni's creation: she dances neatly, but with a fatal touch of flirtatiousness. The hero, Renzo (Francesco Sedenio) is a simple peasant, with an endearing impetuosity.

The basic problem is, however, even more serious. The score was composed much in advance by Roberto Ezzen, who, with his wife, wrote a detailed libretto, thus tying the hands of any would-be choreographer—several are said to have refused the commission for that reason.

In the end, the choreography was entrusted to Mario Pistoni, who was born in Rome but worked for many years at La Scala, in the first place as Carla Fracci's partner in the early 1950s; he made a number of ballets of which *Francesca da Rimini* and *La Strada* (both programme across town to the National and the National Ballet of Canada down the road to the Lirico) were too busy with serious matters such as opera and concert.

After the brief Milan run, the ballet will tour a few Italian festivals, at which orchestras are rarely available for dance.

mean of a long flashback. Savignano is La Scala's Belair specialist, and his influence is too inconspicuously evident in the rather vulgarly erotic dance, largely made up of acrobatic lifts and insistently use of the second position. When she appears in nun's habit and point shoes, we seem to be back in the world of Meyerbeer's *Robert le Diable*. Gertrude soon discards the former in favour of skimpier attire, but she disappointingly retains the latter throughout. As her lover, Ezzen, Angelo Merello has little to do but throw her about.

In its unmemorable melodiousness and occasional souppiness, the music sounded more fitted for a film score than a ballet. It might have sounded less dead if it had been supplied by a visible orchestra instead of on tape, but there is no orchestra pit in the improvised theatre in the courtyard, and besides, La Scala—which had already sent the modern ballet programme across town to the National and the National Ballet of Canada down the road to the Lirico—was too busy with serious matters such as opera and concert.

After the brief Milan run, the ballet will tour a few Italian festivals, at which orchestras are rarely available for dance.

I tried throughout the performance to imagine a more passionate and robust direction than Pritchard's breathing life into the score; but could not perceive (as one often can)

Roger Sessions/Albert Hall

Dominic Gill

In this week's Listener, Andrew Porter describes Roger Sessions's requiem cantata *When Lilacs Last in the Dooryard Bloom'd* as "great music." I am reluctant to contradict a distinguished colleague who has heard the work so many more times than I, but after his European premiere at Monday's Prom, given by the BBC Symphony Orchestra and Chorus under John Pritchard, and after but one single hearing, my feeling was that Sessions's *Lilacs* is very dull music indeed.

What is there to commend it? The metric invention is consistently clog-footed: melody without light or life or lyrical breath. The choral writing, which dominates the work, is exceptionally dull, melodically rapid, contrapuntally unremarkable, rhythmically stiff-jointed.

The entire sense of the music contradicts the urgency and thrust of the Whitman poem it sets; the music is a single spark in the first bar to the last, to reflect, let alone to match, the searing passion of the words.

I tried throughout the performance to imagine a more passionate and robust direction than Pritchard's breathing life into the score; but could not perceive (as one often can)

what particular elements might thus be transformed. The very unresponsiveness of the music, and its profoundly podgomatic course, seemed irredeemable. Most remarkable of all: that such huge resources (full symphony orchestra with chorus and soloists) could provide Whitman with an accompaniment and commentary so consistently monochromatic.

And to commend it?—well, once, near the beginning, between the baritone's first solo and the first chorus, there was an orchestral swirl of unmistakable Mahlerian derivation, a sudden heightening of tension, which gave an early moment's pause for hope. But nothing more like it ever appeared again.

'Bless the Bride' revival in Exeter

To celebrate the 90th birthday of Vivian Ellis, the Northcott Theatre, Exeter is mounting a revival of *Bless the Bride*, which ran in London for 886 performances in 1947.

Based on A. P. Herbert's book, the show will open on Thursday.

Two Munich Festival revivals last week displayed favourite sopranos in the central roles, Edita Gruberova in Verdi's *La Traviata* and Lucia Popp in Strauss's *Arabella*. Though neither is quite at home in her part yet, the Munich audience was vociferously loyal—and their romantic partners offered only token competition. The respective conductors, and the stage father-figures, gave fuller measure, and the rich decorative detail of each production was up to the best Munich standards.

Miss Gruberova is the most brilliant Zerkloetia of our day, but her artfulness as that megasoubrette—all lightning switches of tone and flashing suggestions—makes a patchwork *Viola*, even schizoid. The Act One Gruberova is plainly a lady who has risen to the top of her profession by sheer force of character: she is no coquette, and her coloratura is diamond-hard. From there on we get a series of brusque contrasts not just of mood but of personification, from sober devotion to hysterics to broken paths, in several vocal styles. Her last scene is touching, but it is one more *Viola* among many.

Neil Shikoff was at most one Alfredo: unvarying, lame, hefty and oddly darkened, replete with Italianate sobs. He bawled "Bollenti Spiriti" over Carlos

Kleiber's feather-light accompaniment while sketching curious crypto-Greek dance steps and gestures, and deservedly got himself entangled with the carpet. Wolfgang Brendel supplied much-needed ballast as German per; a bit young in looks, he was nonetheless a model of wary dignity and concern, with full-voiced warmth in the best German tradition.

Kleiber shaped the orchestral prelude with exquisite finesse, not so much as to deprive the first act of its fast (with the offstage party-music too obviously on tape), but the last broke all speed records. The orchestra, rather than Kleiber's, was the real star of the show, rather than Kleiber's, was the real star of the show, rather than Kleiber's, was the real star of the show.

The *Arabella* designs are also Kleiber's. Fine period detail—the Inn for the Fickler—is so perfect that it must be authentic—with ceramic ovens everywhere, anxiously fed, to emphasise the wintry season. Alfred Kuhn capped his subtle role with a dramatic story (and Peter Seifert made an inert Matteo for Zdenka), we had to be content with Wolfgang Sawallisch's lively and idiomatic reading of the score. That was excellent—but the heart of the matter should have been visible on the stage, and it wasn't.

Munich Festival

David Murray

tone by quick intelligence and as good a teenage-by masquerade as I can remember.

Her duet with sister Arabella was staged by Peter Beauvais as a pair of moonologists on either side of a big table: dramatically right, I suppose, but frigid—and all too right for Lucia Popp's Arabella. I cannot believe that Arabella is a good role, elegantly though she sings it (granted some constricted tone at the top), if the essence of social charm is the appease of responding keenly to everybody else, Miss Popp is the last person to manage that; she is an artist who does nothing that has not been polished to the hilt beforehand, and it showed.

It was almost a solo concert-performance. Admittedly she was faced with an under-powered Mandryka (Bernard Weid) without charisma, but it was significant that her best moment was a private attack of the vapours before meeting him formally. With so little dramatic life in the central story (and Peter Seifert made an inert Matteo for Zdenka), we had to be content with Wolfgang Sawallisch's lively and idiomatic reading of the score. That was excellent—but the heart of the matter should have been visible on the stage, and it wasn't.

Saleroom/Antony Thorncroft

Learned bawdiness

Sotheby's most important auction of English literature and history for many years comfortably exceeded its £1m target, totalling £1,461,526 with a reasonable 8.2 per cent unsold. The price yesterday was the £187,000 which secured the Townley papers, over 1,000 letters from some of the most fascinating personalities of the 18th century. The buyer remained anonymous.

Charles Townley was a great antiquarian: his collection formed the basis of the British Museum. His correspondence is learned, facetious and bawdy, and contains letters from Piranesi, John Cleland (author of *Fanny Hill*), Charles James Fox, John Nash, Sir Joshua Reynolds, and many more. The main topics of discussion were art and sex.

end d sbdlu cmfwyp vbkgv l Perhaps of more popular interest is John Peel's hunting horn. It was bought by the New York dealer John Fleming for £5,500. In 1951 Sotheby's had sold it for £800.

A copy of the Declaration of Breda, King Charles II's promises to the people on his restoration to the throne in 1660, sold for £93,500. This was the actual copy that Samuel Pepys read out to the Fleet, to great acclaim, as he records in his diary. It was sent for sale yesterday by descendants of the Pepys's patron, Lord Sandwich.

A study by Piranesi of the Warwick Vase, drawn as a heading of a letter that he sent to Charles Townley in 1772, was bought by Quaritch for £35,200. This major drawing had hitherto remained unknown. The papers of the Portuguese ambassador to England between 1657-1665, the most substantial archive of diplomatic papers to appear at auction in recent years, sold for £33,000.

Six poignant letters by Mrs Fitzherbert to her husband the Prince Regent, accusing him of neglect, virtually the only letters between them to survive, more than doubled their estimate at £13,200, while another lot to double its top forecast was an album of 37 studio photographs of Hollywood stars of 1928.

The same family later supported the travel of Captain Cook and sold yesterday papers relating to a dispute over Cook's second voyage: they went for £35,500 to Brooke-Ritchie, the London dealer. Another dealer, Quaritch, paid £55,000 for a copper plate plan of part of the City of London, dated to the 1550s: it is one of only two known copper-plates surviving from an otherwise lost oldest known plan of London.

A surprise was the price of £57,200, as against a top estimate of £30,000, paid for two watercolours showing the Townley collection of antiquities in situ in his home in Park Street, Westminster.

## Arts Guide

Theatre

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blake-son's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (838 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollercoasting folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (534 0194).

Just You Two (Palace): Rogers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include *There's a Sinner in Me*. Glad to be unhappy and the Londoner but let for *Slaughter on Tenth Avenue*. (437 6834).

Dead Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's top-dressing extravaganzas has been capriciously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (838 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of British's biggest war-time musical hit with Robert Lindsay in the Lapins Lane role emerging as the best new musical since *My Darling Clementine*. (836 7611).

The Government Inspector (Olivier): Striking but unimpressive revival with under-equipped TV comic Bill May all playing the part of a striking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true deflation but, with John Cusack's imposing design of bureaucratic bunnies, the show has a sort of monumental stinkiness as well as nightmarish tedium. New translation by Adrian Mitchell. (928 8232).

Bonus (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a flexible marriage of a musical. (534 1317, credit cards 828 6738).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earth-bound George Moore than was Michael Hordern. Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 0494, credit cards 378 6233).

Richard III (Barbican): Last year's Stratford-upon-Avon production with Antony Sher demagogically exciting as Richard in the RSC revival by Bill Alexander. Plays in repertory with *Romeo and Juliet* and *Henry VIII*. (828 8725, credit cards 638 9881).

Pavlov (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with a treacherous performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (828 2232).

Waste (Lyric): Deserved transfer to Shaftesbury Avenue for the RSC's fine Harley Granville play about a politician ruined by sex scandal. Daniel Massey and Judi Dench head John Barton's production. (437 3686).

Breaking the Silence (Merridale): Another RSC transfer, of Stephen Polakoff's account of his family's emigration from post-Revolutionary Russia. Alan Howard succeeding Daniel Massey alongside Jenny Agutter. Ingeniously set in an Imperial railway carriage. (336 5568).

The Mysteries (Lyceum): The theatre of Henry Irving and Joe Loss restored for theatrical performance at

ter 40 years. Bill Bryden's NT production in three parts is not to be missed, one of the great events of recent years. All three shows played on Saturdays for this limited run. (878 3355).

Gays and Dolls (Princes of Wales): The 1982 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Guter's affectionately lavish designs complement this most joyful and festive of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (830 8887).

NETHERLANDS

Amsterdam Stadschouwburg. The English-Speaking Theatre of Amsterdam with G.A. Broder's Spanish Brabantier in the translation by J. De Brumelle III. Directed by John Hartman, with guest actor Hubertus van den Broek and Craig Eubanks as his servant. An effervescent comedy by the great 17th-century Dutch dramatist (Mon to Thur). 243311

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S.

Eliot's children's poetry set to treacly music is visually startling and choreographically felicitous, but classic only in the sense of a rather staid and overwrought idea of theatricality. (828 6887).

Mad Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film *Shuffle Off to Buffalo* with appropriately broad and leggy looking by a large chorus line. (971 9020).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a Broadway Broadway pressure despite the forced effort to recapture the career of a 1960s female pop group, it is a Supreme, without the quality of their music. (239 6200).

Brighton Beach Memoirs (48th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (261 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (839 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat

painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiger's pretty set and James Lapina's book which captures the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (737 2825).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's touching and funny recollections as a drag queen add up to the best historic Sarah Bernhardt role on Broadway today. (944 9450).

WASHINGTON

Count of Monte Cristo (Eisenhower): The second production of Peter Sellers' new American National Theatre company in the James O'Neill version of this swashbuckler. (254 3670).

TOKYO

Man of the Mancha (The Japanese version). Directed by Takao Nakamura, starring Koshiro Matsumoto. Performances also on Sundays. Imperial Theatre, near Imperial Hotel, Hibiya. (213 7221).

WORLD VALUE OF THE POUND every Tuesday in the Financial Times



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# BT and its suppliers

THE British Government's objectives in telecommunications have been to increase competition, to widen consumer choice and, by privatising British Telecom, to make the dominant network operator subject as far as possible to the disciplines of the market. One consequence of these changes, it was assumed, would be to strengthen the competitive ability of the telecommunications equipment industry and so help it win a larger share of the world market. This assumption is questioned by BT's traditional suppliers, GEC and Plessey, which argue that two of BT's recent moves risk inflicting serious damage on the domestic industry.

One of these is the proposed takeover of Mitec, the Canadian company which is a competitor to GEC and Plessey in the manufacture of private automatic branch exchanges (PABXs); this deal, much to the amusement of BT, has been referred to the Monopolies Commission. The other is the purchase from Thorn-Emerson of a second range of Swedish-designed digital telephone exchanges, known as System Y, to be installed alongside System X, jointly developed by BT and its suppliers and now being supplied in increasing quantities by GEC and Plessey. The System Y decision, investigated by BT's regulatory body, the Office of Telecommunications (OfTel); its report was published yesterday. While the report concludes that BT's decision "reflected normal commercial prudence," it raises some questions about the future of the industry which will need to be carefully considered by the Government, BT and the manufacturers.

OfTel's principal duties are to promote competition and the interests of consumers; in this context it is hardly likely to oppose an attempt by BT to put pressure on its suppliers by introducing a competing range of exchanges. But OfTel has other responsibilities; it must ensure that BT does not use its buying power to distort competitive conditions and it must pay regard to efficiency in the domestic industry, including its ability to fund research and development. Thus the health of GEC and Plessey is a matter of concern to OfTel.

BT wants System Y partly as a spur to its traditional suppliers, partly because it has doubts about the timing of the completion of the System X programme; facing competition from Mercury, it wants to install the latest equipment as quickly as possible. OfTel accepts the commercial logic of BT's position, though it notes that delays

to System X have been due as much to BT's suppliers. But it also recognises the difficulties faced by GEC and Plessey in the transition "from a situation in which they had a special relationship with BT to one in which the relationship is more at arm's length."

If System Y took too large a share of the market, GEC and Plessey would lose economies of scale. It suggests that any further shift of orders to System Y should be limited to nominal amounts for a period of about three years, so that the System manufacturers have a further opportunity to adapt to the new situation. The argument is that the loss of 20 per cent of annual orders to System Y would be a serious blow to the companies, but not impossible the loss of another 20 per cent in the very near future would be more damaging.

## Research

GEC and Plessey resent the fact that the UK has opened its market to imports without gaining reciprocal arrangements in other countries. System X may be "a world beater" as OfTel believes, but its access to international markets is severely limited. The report recommends further efforts to liberalise trade in telecommunications, as well as more support for exports. But even if access to world markets was improved, the British industry may not be organised in the right way to take advantage of it. OfTel argues that collaboration between UK companies and overseas suppliers may be necessary. It also suggests the creation of a UK research organisation, financed by companies in the industry, to "maintain a competence in modern switching technology."

The most awkward structural problem remains the relationship between BT and its two main suppliers. Should BT pursue its global ambitions (as reflected, for instance, in the Mitec deal), without much regard to the consequences for the domestic industry? Or should it be closer links between the three companies, perhaps even a pooling of technical and marketing efforts, to launch a stronger attack on world markets? The latter commercial approach from BT is thoroughly welcome; no one would suggest a return to the old days of protection and cartel. But there are grounds for doubting whether the present structure of the industry makes the best use of the available resources.

# Redirecting EEC farm policy

NOW THAT the painful saga of this year's EEC farm price negotiations is temporarily on ice, the European Commission is trying to concentrate ministerial minds on a much-needed strategic debate about agriculture. Last week it set the ball rolling with a Green Paper detailing policy options. Its clear message is that the Community's need to think beyond the short term in farm policy is greater than ever.

Agricultural spending will effectively bankrupt the Community next year by breaching the new 1.4 per cent VAT ceiling if it continues to rise at the pace of the last 10 years. The need, therefore, is to contain the costs of the CAP while ensuring that the support for agricultural commodities are internationally traded — and the additional pressures which the entry of Spain and Portugal will bring to bear only make this more urgent.

The Green Paper marks no revolution. It reminds readers that the CAP is "the cornerstone of European construction" — which is true, if only because the edifice has few other effective elements as yet. Its insistence on market-oriented pricing as the basic policy mechanism has been a mission proposals down the years, which have been just as frequently ignored by all-powerful farm ministers.

## Milk quotas

The arguments in favour of price cuts are economically unassailable. Reduced prices would boost demand for Community produce, enable European farmers to compete more effectively and at lower budgetary cost on the world market, and if pursued over time, cause a drop in production. The alternatives all have serious disadvantages. The option most frequently men-

tion is to introduce restrictions on output, like milk quotas. These rarely solve surplus problems, tend to fossilise inefficient production, cause an unacceptable proliferation of bureaucracy and are used as an excuse for raising prices.

What is new about the Green Paper is the starkness with which even its watered-down final version presents the problems. The crux of the argument is this: while the CAP has had some success in its economic objective of boosting production and modernising farms, it has failed in its parallel social aim of assuring a fair standard of living for the bulk of the agricultural population and keeping people on the land. The Green Paper makes clear that the pressure to continue if its preferred option of a restrictive long-term approach to prices is pursued. Many of the large-scale cereal farmers could probably survive substantial reductions in price which would cause great difficulties for medium-sized farmers with no alternative source of income. Clearly, therefore, those governments which like to emphasise the CAP's social pretensions, such as West Germany, will not even contemplate a rigorous price policy unless they are offered some sort of trade-off.

## Merits

The Commission's answer is to resurrect the idea of direct income aids — possibly in the form of extra assistance with structural change, early retirement or targeted social payments — for farmers liable to feel a special pinch from large long-term price cuts. This is a considerable political liability for all the farm lobby's objections to being seen as a recipient of welfare hand-outs. With France now publicly arguing for price restraint along with Britain, it may be open to serious examination this autumn when farm ministers formally begin their long-term cereals policy review.

EUROPE'S flat glass industry was dominated until quite recently by two large French companies and Britain's Pilkington Brothers. They co-existed for many years by avoiding competing in each other's territories.

But in 1979, one of the French companies, BSN-Cervais Dunoz, decided to sell out and, by early 1982, there were three new competitors on the scene, two American and one Japanese.

A brutal price war followed, with the new companies trying to show the Europeans what real competition was all about, and the established ones trying equally hard not to give ground.

Today, all of Europe's glassmakers, the new as well as the old, rather sheepishly admit that they have made a real head of steam. Demand for flat glass, which is used mainly in the building and automotive industries, has risen a brisk 10 per cent since 1982 and most plants are working at capacity. But prices have fallen by 17 per cent and most of the companies have lost huge amounts of money.

M. Philippe Bodson, managing director of Glaverbel of Belgium, says: "It is scandalous that we have had a strong market and falling prices. We are all guilty."

Moreover, the battle for market share seems to have been in vain. "It is all very well fighting for market share, but no one's position has changed," observes Mr Antony Pilkington, chairman of the British group.

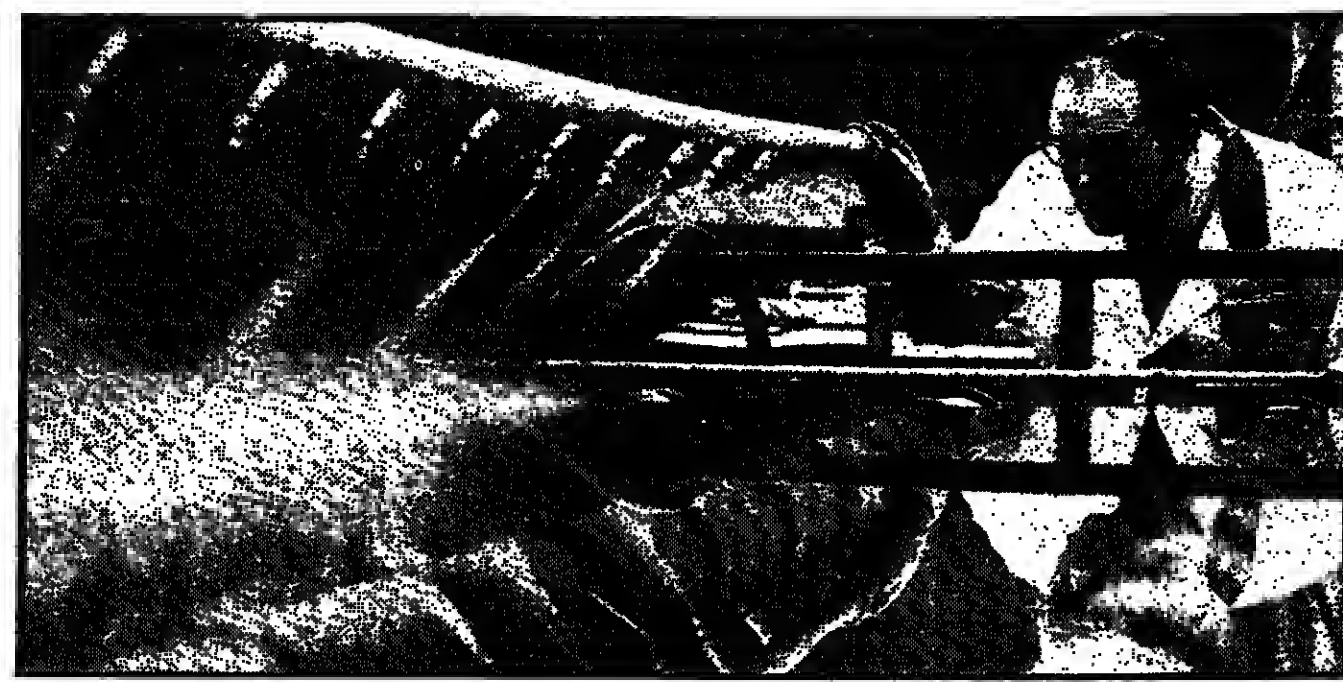
Pilkington has often been accused of being slow to respond to price pressures, but Mr Pilkington looks at it differently. "I would like to think we are more mature than our competitors. They allow their salesmen far too much latitude, considering the weight of assets behind them."

That view seems to be gaining support this year. Industry leaders have had some success in pushing up prices. As Mr George Crossett, vice-president, primary glass of PPG Industries of the U.S., puts it: "After a while, people get sick of losing money." Boussols, the former French subsidiary of BSN which PPG bought in 1982, lost £5.9m last year.

But European prices are still far below those prevailing in the U.S. and Japan, and producers worry that a joint round of instability could develop if reports of another new competitor joining the scene prove accurate.

Options are divided on how and why this might happen. Some think it is a result of a wrong in the early 1980s. But no one doubts that it all started in 1979 when BSN decided to get out of the flat glass industry altogether. In addition to BSN, BSN also owned Glaverbel in Belgium and Flachglas in West Germany.

Initially, Pilkington tried to buy all of them, but Germany's cartel office objected on the grounds that this would create excessive concentration in the industry. Pilkington eventually



Float glass passes under water sprays in a Pilkington plant at St Helens, Merseyside

agreed to acquire Flachglas

with more than a one-third share of European markets, talked of an "invasion" from the U.S. and Japan and made clear that the French company would defend its market share, whatever the cost.

Guardian and Asahi both had reputations as efficient producers and aggressive price cutters. But they have turned out to be among the least disruptive elements in the industry in the past few years. The

over from Pittsburgh. "It was time for someone with a strong commercial background to get in there," Mr Crossett says. However, he insists that Boussols, which has a less than 10 per cent share of the European market, was not the instigator of the price war. "We came in and reacted to the St-Gobain price. They were trying to protect their market share from what they saw as intruders."

Glaverbel's share has remained fairly steady at about 10 per cent, and there is no evidence that Asahi has been pushing the group in one direction or another. Glaverbel is putting more effort into the automotive glass market, but Mr Bodson insists that this policy, and the accompanying investment in new plant, was under way before Asahi arrived.

The acquisition, according to Mr Kinshin Mushakoji, a senior Asahi executive, was part of the group's strategy to remain a world force in the glass industry.

It was also in some ways a sentimental one: Asahi had bought Glaverbel's sheet glass technology in the 1930s and the contacts remained strong until the acquisition.

Whatever the motive, the acquisition has worked out better than most observers expected. BSN poured BfR 3.3bn into restructuring Glaverbel in the late 1970s, and the company has made profits ever since Asahi took over.

Now that prices are improving slightly, none of the producers want to go back to the chaos of the past three years. However, they also recognise that there is no way of reversing the cosy arrangements of the past.

"We will not participate in a cartel," Mr Grossett of PPG says, and many others share this attitude. Nor is it likely that any of the existing producers will give up and sell out. At this point, the normal European response would be to run to their governments or

St-Gobain too has implicitly admitted a share of the responsibility, having appointed a new managing director for its flat glass division three months ago.

The effects of all the fighting are pretty meagre. Guardian has captured roughly 5 per cent of the European market. It operates mainly in the large West German market and most of its gains have probably come at the expense of St-Gobain and Pilkington subsidiaries.

At first glance, it looks as if Pilkington has suffered the most, its market share in the UK having tumbled from 30 per cent to around 50 per cent in the past five years. And its

UK losses between 1980 and 1984 totalled £85m.

But Mr Pilkington says the fall in the group's UK market share, mainly to Boussols, St-Gobain and Glaverbel, have been offset by increases in exports to France, Belgium and West Germany.

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the European Commission and ask that a mechanism be set up to control production and prices, as has happened, for example, in the steel industry. But the glassmakers, to their credit, embarked on a more independent course.

They thought that if every producer was supplied with price information on aggregate supply and demand in the European market, they might make rational decisions about their own production and marketing practices. So they mobilised their industry association, the Groupement Européen des Producteurs de Verre Plat (GEPVP), to collect the relevant statistics from everyone and publish them in aggregated form.

The first report has just been compiled and it shows just how out of line the producers' market behaviour has been. EEC consumption of flat glass last year reached a record 3.5m tonnes, 10 per cent higher than in 1982 and 17 per cent higher than in 1981. Moreover, the industry was operating at an average 98 per cent of capacity.

That operating rate would seem to suggest that new capacity will soon be needed. In fact, however, it is based on only those plants that were operating last year. Two St-Gobain plants representing about 5 per cent of EEC capacity, were idle for furnace relining.

And small incremental additions to capacity continue to be made as producers build float plants to replace their sheet glass plants.

Also, no one believes that the market will continue to grow as fast as it has in the past three years. The building industry is depressed and European car makers are having a hard time maintaining their market shares. M. Bodson expects overall demand in Europe to be flat this year.

So the concern about a new "intruder" in the industry is a real one. Norway has been trying to entice someone to build a float glass plant with offers of cheap energy and other subsidies.

The existing producers have taken their new figures to the European Commission and argued that any such new project should be resisted. "We do not believe that subsidies should be given for any additions to capacity," as M. Bodson puts it.

It remains to be seen whether the European glassmakers' new sense of discipline and competitiveness will be maintained. Even though they all want to raise prices, there is growing resistance in the market.

"If you look at the state of the European building and automotive industries, you can see that they are going to need low-cost glass for the foreseeable future," says M. Daniel Meinel, the new chief executive of St-Gobain's flat glass division. "And if they cannot get it here, they will go elsewhere."

## CHANGE AND EXPANSION IN EUROPE'S GLASS INDUSTRY

	Number of float lines	Capacity (tons per day)
	1980	1985
St-Gobain (France)	11.5	11.5
Pilkington (UK)	4	5
PPG (U.S.)	1	4
Asahi Glass (Japan)	nil	3
SIV (Italy)	1.5	1.5
Guardian (U.S.)*	nil	1
BSN (France)	7	nil
Total	25	25

\* Guardian's Spanish subsidiary, Vidrierías de Lloilo, will open a new 450 ton/day float plant later this year.  
 Source: La Compagnie de Saint-Gobain.

main culprits, it is generally agreed, have been St-Gobain and Boussols.

Mr Pilkington says that until recently Boussols's prices were 30 per cent below those of the British company, and far below any sensible level. Mr Crossett of PPG admits there is some truth in the charge. "That acquisition has not worked out as well as we thought. We underestimated the time and difficulty of cutting costs and we underestimated the extent of price cutting in the market."

It seems also that PPG had trouble imposing its will on the proud French company but in the past few months a new managing director has been sent

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At first glance, it looks as if Pilkington has suffered the most, its market share in the UK having tumbled from 30 per cent to around 50 per cent in the past five years. And its

UK losses between 1980 and 1984 totalled £85m. But Mr Pilkington says the fall in the group's UK market share, mainly to Boussols, St-Gobain and Glaverbel, have been offset by increases in exports to France, Belgium and West Germany.

Glaverbel's share has remained fairly steady at about 10 per cent, and there is no evidence that Asahi has been pushing the group in one direction or another. Glaverbel is putting more effort into the automotive glass market, but Mr Bodson insists that this policy, and the accompanying investment in new plant, was under way before Asahi arrived.

The acquisition, according to Mr Kinshin Mushakoji, a senior Asahi executive, was part of the group's strategy to remain a world force in the glass industry.

It was also in some ways a sentimental one: Asahi had bought Glaverbel's sheet glass technology in the 1930s and the contacts remained strong until the acquisition.

Whatever the motive, the acquisition has worked out better than most observers expected. BSN poured BfR 3.3bn into restructuring Glaverbel in the late 1970s, and the company has made profits ever since Asahi took over.

Now that prices are improving slightly, none of the producers want to go back to the chaos of the past three years. However, they also recognise that there is no way of reversing the cosy arrangements of the past.

"We will not participate in a cartel," Mr Grossett of PPG says, and many others share this attitude. Nor is it likely that any of the existing producers will give up and sell out. At this point, the normal European response would be to run to their governments or

## Whitehall's loss....

While MPA argue angrily over the top people's pay awards, the mandarins continue — this time to much displeasure among ministers at the Department of Environment.

Tony Mayer, who heads the department's rates reform team, is to join Rothschild's bank. Lord Rothschild is an adviser to the team and is alleged to have "poached" him.

Mayer, currently earning some £25,500 a year as an assistant secretary, will join Rothschild for a salary understood to be more than £45,000. He will work on the bank's personnel side.

The Government's green/white paper on rates reform is due to be published in the autumn and Mayer will "see the work through" before departing for the City.

Mayer, aged 39, has been in Whitehall since leaving Oxford and is precisely the kind of younger, able official that civil service managers are worried about losing.

He was one rung too far down the ladder to benefit from the controversial top people's pay awards. This year he had to make do with 4.9 per cent. Promotion might not come for two to five years.

Mayer insists that he is merely going to Rothschild on a two-year secondment. He stresses that his only motivation is "to do something completely different for a while and see what life is like outside."

He dismisses all the talk of poaching as nonsense. But reliable sources say that it is how ministers regard Rothschild's offer, and that the idea of secondment was only raised later in the hope of retaining Mayer.

But one official who made a similarly lucrative move out of Whitehall last year reckons Environment managers are being over-optimistic. "Go back — to a £18,000 salary cut?" he inquired. "Nobody in their right mind does that."

The pay awards were designed to improve civil service morale, enhance White-

## Men and Matters

hall's prestige, and discourage people like Mayer from leaving. But it seems 76 per cent in the band is worth more than 46 per cent at the distant top of the tree.

... and gains

Sir John Stanier, who lists his recreations as "Who's Who" and "Angling," has just been promoted to Field Marshal — even though he is due to retire from the army at the end of this month.

With so little time to enjoy his five-star promotion, what real difference will having a baton make to him?

Answer — an increase of some £14,000 in his annual pension from next March.

Sir John will be among the first to benefit from a happy combination of well-established promotion practices at the Ministry of Defence plus a 46.3 per cent pay rise from the top people's review body.

The MoD explained yesterday that for many years only the Chief of the Defence Staff has been given the top rank of his particular service. The other chiefs have had to be content with being mere Admirals, Generals and Air Chiefs Marshals.

But the deal is that they are upgraded to five stars on the eve of retirement to boost pensions and prestige.

There is another twist to the tale. These old soldiers may fade into their rose gardens but they stay on the "active list" and get pay rises in line with serving officers.

Last month, Sir John was earning £45,500 as a General. Promotion and the new pay award now put him on £63,125.

Next March, the rate will rise to £75,000 — and Sir John can look forward to a pension that of 48.5 per cent of that, £36,375



"and for goodness sake try to keep within Spanish territorial waters, Air"

instead of the £22,000 in prospect just a week or so ago. Where there's money, there's top brass.

## Highly visible

Morgan Stanley, the New York investment bank, was being typically discreet yesterday about its latest recruit, "Van" Galbraith, aged 57, the outgoing U.S. ambassador to France, who has been hired as a senior adviser and director of Morgan Stanley International.

The firm seems unusually vague about what he will do and how much time he will spend doing it. Perhaps that is because Morgan Stanley realises it has just bagged one of the more controversial persons ever to straddle the financial and diplomatic communities.

Galbraith's financial career started at Morgan Guaranty, Morgan Stanley's opposite number in the commercial banking world, first in New York and later in Paris.

In 1969 he took over as managing director of Bankers Trust International, the London merchant banking arm of The New York Bank, and suddenly became much more visible.

He ran his bank at full speed ahead during the international banking boom of the early 1970s and when problems began to surface BfT was seen to have more than its fair share.

In 1981 he was made U.S. ambassador to Paris. Since then he is best known for an interview he gave earlier this year where he said the U.S. foreign service was full of "liberals" and that career U.S. diplomats lacked "guts."

U.S. Secretary of State George Shultz later publicly criticised his outspoken ambassador.

## On screen

Verity Lambert, the first producer of Dr Who, may be giving up her job as director of production at Thorn EMI Screen Entertainment. But she is not going to sever links with Thorn completely.

Lambert is part of Thorn EMI plans now taking shape to set up a consortium of independent British film producers.

Apart from confirming that Lambert will be one of the independents involved, Thorn is keeping quiet on the details until early next week. Film industry rumour has it that Lord Brabourne, producer of *A Passage to India*, Even Lloyd, producer of *Wild Geese II*, and Jeremy Thomas, producer of *Insignificance*, the British Cannes film entry might be interested.

Thorn EMI not only has the distribution channels but also the money in the form of a \$150m rolling facility, put together by 12 merchant banks.

Hide and speak

A man called at the U.S. embassy in Prague. "I'm a banker being persecuted by his liberal-political stand."

"Can you cache a small Czech?"

Observer

## ADVERTISEMENT

# Rumour of summer dismissed as speculation.

A MINISTRY spokesman today dismissed reports of the likelihood of summer this year as "reckless speculation."

"This is irresponsible scare-mongering," he said. "Just because February followed January and March followed February doesn't mean we're going to be faced with June, July and August coming along later. Things don't happen like that. If they did you can rest assured that we'd be the first to know."

One of those dissenting from the official view is Mr Terry Sensible, financial director to a chain of High Street retailers.

"I'm putting in Toshiba air conditioning," he commented. "Their new ceiling units take up no space, are easily installed and, like all Toshiba units, come with a 3 year guarantee. Cool and comfortable staff are more efficient. It makes sound financial sense, especially when you consider that the Toshiba has a heat pump which also saves you money on your fuel bills in winter."

Could this bluff, North country, millionaire, eccentric have a point? Only time will tell.

It pays to keep cool with Toshiba Air Conditioning.

DIAL 100 AND ASK FOR FREEPHONE TOSHIBA.  
 Toshiba UK Ltd, Toshiba House, Frimley Road, Camberley, Surrey.



CHONGQING COULD be one of the world's great industrial cities and may indeed become one.

Now, however, it is a dilapidated monument to the economic upheavals of Communist China's 35-year history, and an example of the formidable tasks facing Deng Xiaoping as he tries by means of pragmatic economic policies to revive a moribund economy.

At the eastern extreme of Sichuan, China's most populous and one of its most resource-rich provinces, Chongqing perches dramatically above the point where the gray waters of the Jialing river flow into the rich-red Yangtze before it rushes through the mountain gorges that for the greater part of history have separated Sichuan from the rest of China and the rest of the world.

It has an uncompromisingly awful climate—a furnace in summer and swathed in eerie fogs for most of the rest of the year.

The city, and Sichuan Province around it, epitomise China's great strengths, its rich agricultural base and wealth of natural resources—and at the same time its weaknesses, a suburban sprawl from central control, poor communications, and an archaic industrial base.

It appears to harbour many officials and party cadres who are more committed to defending vested interests than to modernisation under Deng Xiaoping's policy of "opening up to the outside world."

Deng's policies are likely to stand or fall in a city such as this, not least because it has played a special part in his life. Deng now in his 80s was born some miles north of it, in Guang County. In the early years immediately after 1949, when the new Communist leadership and a large proportion of the country's population were introduced with immense optimism for the future, Deng was in command of the South West Bureau, headquartered in Chongqing.

Not surprisingly, therefore, it has been a testing ground for his economic reform policies. Before being introduced nationwide, price, wage and tax reforms have all been floated experimentally in Chongqing. So too have new marketing and distribution systems.

Since February 1983, it has had provincial powers in economic matters, and has been expanded by administrative fiat to become China's largest city, with 3.9m people. It can attract foreign investment but nevertheless has made tortuously slow progress.

So slow that Peking recently appointed a new Party Secretary, and only last month brought in a new mayor from the national capital, a man with

## CHONGQING



# A city waiting for the fog to lift

By David Dodwell, recently in Chongqing

Impeccable "Dengist" credentials. In what appears to be a bid to cut a swathe through the thickets of bureaucracy and political resistance.

Commercially and politically, Chongqing dominates Sichuan, which in turn dominates the west of China, and one fifth of the country's 1bn people. This was recognised in 1895, when the imperial powers forced the Empress Dowager to open the city to international trade as China's most inland treaty port.

Chiang Kai-shek's nationalist government also appreciated its strengths—not least the protection from air raids that the fog provided—when it was forced to retreat from Nanking before the invading Japanese Army in 1938. Chongqing served as the Nationalist government's capital until 1946.

This period was a critical one for the city's industrial development. Rather than leave Shanghai's factories at the disposal of the invading Japanese, Chiang Kai-shek ordered them to be dismantled and hauled up the Yangtze on barges. This massive human effort gave Chongqing a modern and ready-

made industrial base. At the end of the war, most of the Shanghai industrialists left, but many of their factories stayed behind.

A second major impetus in the years after Communist victory in 1949 was the designation of Chongqing as a "third line" city for the development of defence industries, well inland and a safe distance from the Soviet border in the north, or those of India and Vietnam in the south.

Today, Chongqing's 200 or so factories producing defence equipment—everything from arms, tanks and warships to telecommunications equipment and titanium for the military—account for 20 per cent of the city's 1.6m jobs, and the great majority of its modern technology.

It is on this industrial base that Deng Xiaoping intends to build. Defence manufacturers have been pressed to diversify into manufacture for the civilian market—both to improve the supply of consumer goods in the local market, and to help adjust to a policy of determined cut in arms production.

The China Jialing Machine

Factory, once exclusively a small-arms manufacturer, now makes 300,000 motorcycles a year in a lucrative joint venture with Honda of Japan. The Changnan machinery plant, also an arms manufacturer, is now producing a small truck in collaboration with Suzuki.

But these breakthroughs provide exceptions to an otherwise depressing rule: Chongqing's industrial base—the fifth-largest in China—is seriously out of date. Officials in Chongqing's economic commission say that 53 per cent of the machinery now in use was installed more than 20 years ago, and was old technology even then. Plans to renovate the city's industry by the year 1990 involve budgets of Yuan 700m a year for the rest of the decade.

This would be a formidable task even in the best of circumstances; given the evidence of bureaucratic mediocrity and considerable factional division inside the city government over the direction of economic policy, it might even be fanciful.

Chongqing was a hotbed of Leftism during the Cultural Revolution—so much so that

Jiang Qing, the leading figure in the now-reviled "Gang of Four," congratulated the local radicals as "champions" of the Leftist cause, and an example for the rest of the nation.

The factional differences remaining from this period, and the large number of bureaucrats who owe their position to appointments made during that period, have persuaded Peking to impose its own candidate as mayor. Mr Xiao Yang, who has recently played a major part in formulating China's joint venture law, is an optical engineer by training. He has spent most of his career either in prison—dubbed a revisionist and capitalist road-runner—or running the Peking General Glass Factory. To transform Chongqing into a modern and efficient industrial city is likely to be his most formidable challenge yet.

He has begun modestly—first with a city clean-up campaign, and then with plans for an exhibition in September to provide impetus to plans to attract foreign trade and investment. He has also begun to pull Chongqing's lumbering bureaucracy into shape. He has abolished more than 70 departments, merged others, and says the process is far from finished.

Among his immediate aims, he hopes to attract \$300m in foreign investments this year. He has laid plans to renovate the city's water and sewerage systems in collaboration with France's Compagnie Generale des Eaux, and is working with companies from Belgium and Italy on new telephone exchanges.

An international airport is under discussion, as are plans for electrification of railways and improvement of river shipping—critical for an inland province if it is serious about boosting intercontinental trade. He plans by 1990 to have boosted exports to 10 per cent of Chongqing's industrial and agricultural output. In 1984, exports amounted to \$38m, a mere 4 per cent of output. He has recruited Japanese professionals into the municipal government to help push his plans through.

While the problems facing Mayor Xiao are daunting, there can be no doubting the immense potential of the city if he succeeds in igniting its energies. Sichuan, its immediate hinterland, would if independent be the world's eighth-largest nation. It is the birthplace of tea-making and of silk.

Even today it is China's main supplier of grain, and of many fruits. It boasts supplies of some of the world's rarest minerals, as well as coal and natural gas.

In so many ways a microcosm of the problems and potentials of China, what Chongqing needs is a vital spark. But in this wayward-looking fog-bound region, it may prove to be a damp squib.

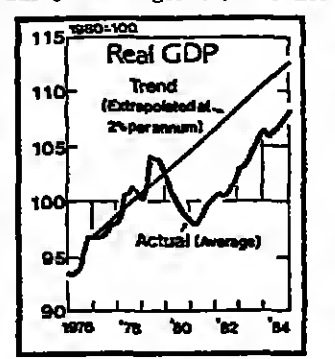
## UK economy

# Time to replace austerity with careful expansion

By Rudiger Dornbusch

THE CURRENT SHIFT in popular opinion away from austerity towards jobs, provides an important opportunity for a change of strategy towards controlled expansion. This is critically necessary, for the key fact about Britain is that the decline in economic activity in 1980-81 has yet to be made up.

The chart shows actual GDP and an estimate of potential output arrived at by assuming that 1977 represented a year where resources in the economy were fully utilised, and that potential output grows at 2 per cent per year. These are, I believe, conservative estimates. The diagram makes it obvious that following the 1980-1981 recession output has in fact been growing at somewhat above trend growth, but not



nearly enough to make up the initial losses.

As a result even today, four years into the recovery, there remains a gap of at least 6 per cent of GDP between potential and actual output. Failure to make up that gap explains the huge level of unemployment in the economy.

The second chart shows the counterpart of the output gap, the level of employment. It is true that employment has grown strongly in the past two years, but of course we are nowhere near the edge of the hole into which employment was thrown in the decline of activity in 1980-81.

This catch-up can only be engineered by sound macro-economic policies. A responsible and controlled expansion would be unlikely to produce a wage explosion—provided the exchange rate was kept firmly under control. Exchange depreciation quickly and sizeably finds its way into

prices and into wages. In these circumstances an indispensable part of policy is a commitment to a fixed exchange rate.

Practically, I would advocate a fixed rate on the EMS. British rates of cost and price inflation are little different from the EMS average, and hence this rule does not imply any trend loss in competitiveness as a cost of nailing the inflation objective.

The fixed exchange rate would be defended by monetary policy, meaning what ever interest rates it takes to have the capital flows that finance the current account deterioration implied by an expansion.

If the exchange rate commitment is clear and firm, the required interest rates need not exceed sizably those in Europe, the less so the more fiercely the exchange rate target is represented as one of the two pillars of expansion.

The other pillar of expansion is a sharp fiscal expansion that draws the lessons of the U.S. experience. The first lesson is to expand strongly to restore high employment and private sector profitability. The other is not to make the mistake of an open-ended tax cut that leaves behind vast deficits.

The exchange rate target places important constraints on fiscal policy. Fiscal incentives to investment must offset the impact of possible higher interest rates on investment profitability. Here the U.S. experience shows that one can produce a boom in investment considerably above average for recoveries in the post-war period, even in a setting of highly expansionary fiscal policy and tight money.

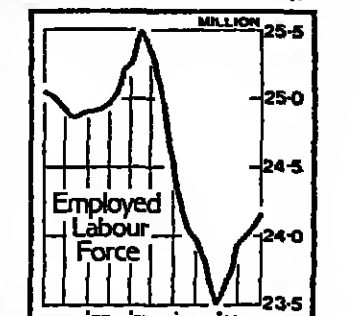
The recipe is to let investment share significantly in the fiscal expansion. That participation is critical, because strong investment is necessary to sustain the medium-term growth potential of the economy and to wipe out bottlenecks before they become a source of inflation and hence an obstacle to a growth strategy.

One must also decide how much emphasis to place on direct job creation programmes versus putting money in private sector pockets to spend, or into local authority pockets to invest in infrastructure. Three

considerations are important; the first is that direct employment programmes are vastly superior, per pound spent, in creating jobs than are personal tax cuts.

Therefore, from a strict employment point of view, that would be the best way to allocate the expansion. Second, there is no better time to invest than a period of high unemployment. Even the most conservative person will concede that there should be sewers, that they use them, and like them, considering the alternatives. Finally, personal tax cuts or elimination of social security taxes on additions to the payroll have the advantage that they place resources where consumer sovereignty wants them most.

In striking a balance between these considerations a good



starting point would be to allocate one quarter to each of public sector investment, direct employment programmes, personal tax cuts and investment incentives.

How much to spend? Too little of an expansion would get lost like water in the sand, failing to draw significant complementary private spending increases; too much would be unwise. Say, 1.5 per cent of GDP for a year and another 1.5 at most in a second year would be about right, provided there was a firm programme to work down the deficit thereafter in an automatic predetermined manner, so as to assure confidence in the capital markets. The author is Ford International Professor of Economics of the Massachusetts Institute of Technology.

## Pay cuts for UK youth

From the chairperson, British Youth Council.

Sir—Your editorial (July 19) treats almost dismissively the effect of the Government's removal of wages councils from young people under 21. In one sense, you are right. The effect on unemployment will be small. But for the young people facing pay cuts next year, the effect will be enormous.

The Department of Employment discussion paper did maintain there was a link between wages councils and youth unemployment. It has been so stated often by Mr Tom King and others. But both have been reticent in providing much evidence of the supposed link. In May the department released a Cambridge University report from its Applied Economics department recognising such links as, at best, tenuous.

The reality is that the Government wants to appease everybody—and feels that young people will be in the weakest position to complain. However, no actual evidence is provided showing any "economic rationale" behind what is essentially a face-saving exercise.

If youth wages are cut, employers will naturally want to replace those adult workers whose wages they cannot cut. So false new jobs will be created on a short-term basis for young people, at the expense of those over 21. Those young people will themselves be replaced after four or five years.

Many employers do not abuse young workers. But some already pay below wages councils minima in desperate young people. This last group will see Mr King's announcement as a vindication of their refusal to provide young employees with reasonable wages—and will see their law-breaking rewarded with legitimacy.

Mr King has not reformed wages councils. But he has removed their vital protective role from one of the most vulnerable groups under their protection—the young. That may be pragmatism, but it does little to demonstrate genuine Government interest in improving young people's rights and interests during International Youth Year.

Malcolm Ryan, 57 Chalkton Street, NW1.

**How President Zia helped Miss Bhutto**

From the Minister (Information), Embassy of Pakistan.

Sir—John Elliott (July 15, page 4) gives the impression that Miss Benazir Bhutto has been exiled from Pakistan and

## Letters to the Editor

that there is a restriction on her returning home. This is not so.

Miss Bhutto can return to Pakistan whenever she pleases to do so. President Zia-ul-Haq, in a Channel Four interview on March 5, categorically said that she can return home whenever she likes and there was no question of arresting her. Provided she does not break the law.

For the record, it should be noted that Miss Bhutto flew from Pakistan to Switzerland in January, 1984, for medical treatment with the knowledge and permission of the Pakistan Government. President Zia even helped in getting her a Swiss visa. Since her arrival in the UK 18 months ago, she has been in the UK with her Government. Qutubuddin Aziz, 35 Lornies Square, SW1.

**Part-time courses in management**

From the Director, Leicester Polytechnic. Sir—I read with mild amusement "Another nasty shock—another day of the week" (July 15). This polytechnic's school of management, with a distinguished history preceding 1945, decided to abandon full-time management courses six years ago because it was clear that the formal study of management must postdate relevant experience and responsibility.

That is not to decry academic theory; of course not. But rather that theory is best comprehended in ways which make for effective application if it can be intellectually linked with practice and experience. Hence our MBA degree, the MA degree in Human Resource Management and the DMS are being taught to some 150 practising managers with much of their study concentrating on case material provided from current experience. This approach is not unique in the polytechnic sector.

The present funding arrangements favour full-time courses and our decision on educational grounds to switch to part-time courses dramatically reduced our fee income. This was balanced by an equally dramatic increase in externally funded staff research and consultancy. A third of the 30 staff of the school of management are wholly funded by these means. This, of course, is some way from "self-financing" as advocated by Griffiths and Murray, but while the polytechnics are required to charge nominal tuition fees they cannot easily reach that target. David Bethel, PO Box 145, Leicester.

## The supervision of concert parties

From Mr R. Instone.

Sir—The absurdity of the Take-over Panel's statement on the United Newspapers/Fleet Holdings affair, on which Lex has commented (July 19), illustrates yet again the inadequacy of the City Code's definition of "acting in concert."

Under this definition, there is no acting in concert unless there is active co-operation through the acquisition of shares. Hence if any member of a concert party can satisfy the Panel that the co-operation did not cover any actual acquisition, the fact that co-operation took place, whether before or afterwards, is irrelevant.

Obviously this definition gives the Panel unlimited scope for reaching the conclusion it wants to reach on almost any conceivable scenario involving more than one party; very convenient for the Panel—and for nobody else.

The topic is far more competently treated in the Companies Act 1985, section 204 (derived from the 1981 Act), which deals with the notification of group acquisitions of shares. If the Panel desires to

## The art of percentages

From the managing director, Zenit.

Sir—Barry Riley (July 13) talks of "a way of charging a lower percentage commission on a larger sum" in connection with brokers' percentages on deals. There is no problem in that; we operate such a formula for agents' commissions, the trick being to construct the relationship in such a way that the agent gets adequately rewarded for his effort on small jobs and yet does not get unnecessarily rewarded for big ones. We also use a factor that is negotiable and depends on the circumstances, such as whether the agent merely introduces prospects, follows them through, is in the UK or abroad, etc.

Anyone can construct such a formula graphically by just putting down a scale of job (or deals) value along one axis and dotting in the appropriate-seeming commission percentages at say £100, £1,000, £10,000, etc and submitting a draft for negotiation, bending the graph appropriately. But a formula that can be put on a calculator and that suits our own operations (industrial

retain public confidence in its monitoring of concert parties, is essential that the City Code should incorporate by reference the language of the Act. Every-one will then know (or be deemed to know) where he stands, and there will no longer be any need or excuse for bending the rules. Ralph Instone, 7 New Square, Lincoln's Inn, WC2.

## Labour leaders and elections

From Mr E. N. Addison.

Sir—Can anyone remember the name of the leader of the Labour Party in London before the GLC election and what happened to him?

For how long will anyone remember the name of the present Labour Party leader if Labour wins the next general election? Edward N. Addison, Fernacres, Fulmer, Bucks.

## Proving a negative

From Mr R. Bristol.

Sir—In his letter (July 18) the managing director of Executive Search says that by the use of graphological reports his company has avoided many wrong appointments. How can he know? Ken Bristol, 2, Greenways Drive, Sunningdale, Berks.

plant scales) turns out to be of the logarithmic form:

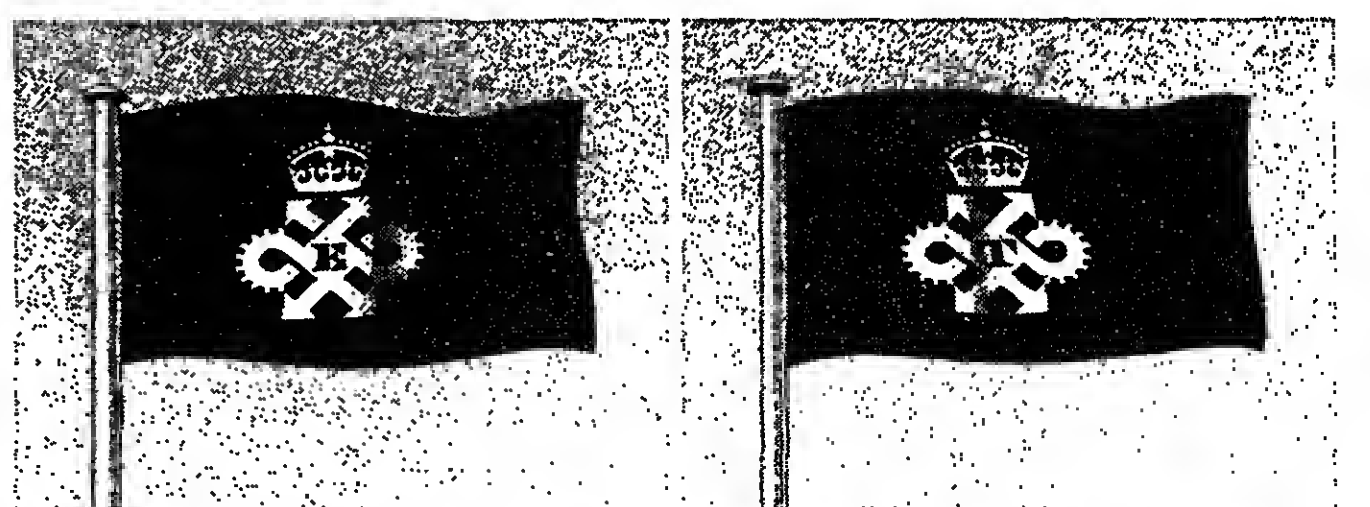
$$\% \text{ commission} = \frac{20L}{L + 1} \log \left( \frac{SP}{L} \right)$$

where L is the negotiable factor and SP is the Selling Price.

For L=1 (which we apply for introductions-only cases) and a selling price of £10,000 this formula yields a percentage commission of 23.

For L=2 (active selling to order stage) and a Selling Price of £1,000 it yields 10 per cent. With calculators to hand there is no need to have incremental variations; the exact figure for the SP when entered gives the precise percentage commission. The same "engineering design" of reward formulae is applied to, for example, our Job Addendum (Managers) incentive scheme, where the JAM = 1/L (JAM=0.01), NM being Net Margin and OH Overheads contribution. Similarly for adjusting gross pay levels to arrive at constant take-home pay when sick pay was being claimed. B. S. Cronin.

30, Stamford Road, Bowdon, Altrincham, Cheshire.



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(tick as appropriate) Exports ☐ Technology ☐ Both ☐

Completed applications must be returned by October 31st 1985. F.T.A.

**The Queen's Awards 1986.**





# FINANCIAL TIMES

Wednesday July 24 1985



Alan Friedman in Milan reconstructs the events leading to Friday's devaluation

## Why the Bank of Italy let the lira crash

THE BANK of Italy declined to intervene in foreign exchange markets to save the lira last Friday when it was crashing by 20 per cent against the dollar because of fears that it would appear to be giving preferential treatment to ENI, the state energy group, whose purchase of \$125m triggered the collapse.

Fresh information came to light yesterday about the Bank of Italy's thinking during Friday's currency crisis. It also emerged that the central bank feared that if it undertook a market operation to support the lira (not just in Milan but abroad as well), it would have cost several hundred million dollars of Italian official reserves. The Italian Treasury's decision to close the foreign exchange market on Friday, although an extreme measure, was eventually judged to be the lower cost option.

Friday's bizarre chain of events, which came as a prelude to the effective 8 per cent devaluation of the lira inside the European Monetary

System at the weekend, saw the lira sink from L1,839 to the dollar to L2,200. Yesterday, on the second day of foreign exchange trading since the devaluation, the lira regained more lost ground to close in Milan at L1,907.

Prime Minister Bettino Craxi has ordered a full inquiry into the events of last Friday, but, based on new information, it is now possible to reconstruct the events with some precision.

The day started with the Craxi Government planning to take advantage of market calm to seek a lira devaluation within the EMS. The currency market got out of control after ENI ignored Bank of Italy advice to delay its \$125m purchase for a few days: the central bank felt it could not, however, tell ENI that the reason for the delay was a forthcoming devaluation.

ENI, for its part, has defended its dollar purchase as "normal" and blamed the lira crash on confused

contacts between itself and the Bank of Italy.

At 12.15pm ENI contacted the Bank of Italy and said it wished to buy the \$125m directly from the central bank. With Sig Lamberto Dini, director-general, and Sig Fabrizio Saccomanni, head of foreign exchange, in the dealing room of the bank, ENI was rung back a few minutes later and advised to delay the operation.

At 12.55pm, ENI again contacted the Bank and asked it to make dollars directly available, away from the market. The Bank refused the request and ENI said it was going ahead with its purchase in the foreign exchange markets.

Five minutes later, San Paolo di Torino, one of Italy's largest banks, contacted the central bank and said it would be acting for ENI. San Paolo asked for dollars to be supplied directly. The Bank again declined. San Paolo asked for time to consult ENI and the Bank of Italy decided

to delay the normal 1.15pm forex price fixing in Milan.

At 1.35pm, San Paolo told the Bank of Italy it had received confirmation of the ENI order. The central bank did not intervene, calculating that to do so would have meant market interventions in dollars, D-marks, French francs and other currencies, which might have cost it several hundred million dollars in operations on international markets later in the afternoon.

The central bank also decided not to contact ENI at a senior level to call off the operation because it viewed that as improper and in any case would have required telling ENI of the impending EMS realignment talks.

San Paolo went into the market and at the fixing the lira was shown to have crashed by 20 per cent against the dollar. By that time, central banks in Frankfurt, Brussels, Amsterdam and other European capitals were automatically buying lire under the framework of

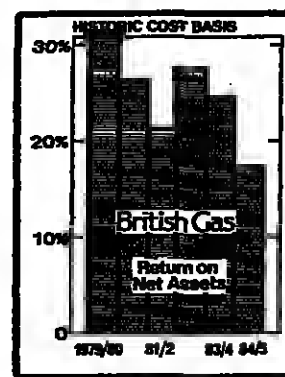
the EMS system. But they were then informed that the Bank of Italy was taking no action. At 3pm the Italian Treasury shut down Italy's foreign exchange markets.

What appears to have been going on inside the Bank of Italy's dealing room was a delicate game of poker - the central bank was hoping ENI would call off its dollar-buying. At the same time, the Bank did not wish to intervene when it became clear that ENI's search for dollars was driving the lira's value sharply down, in a market that could not supply the U.S. currency.

Critics of the Italian central bank say it should have intervened, but the Bank of Italy was unwilling to spend what it calculated to be potentially several hundred millions of dollars of reserves. The central bank, meanwhile, did not wish to appear as ENI's counterpart in a market where the supply of dollars was not otherwise forthcoming. Political interference hits ENI recovery, Page 19

THE LEX COLUMN

## Breathing harder at British Gas



Nobody could ever seriously accuse British Gas of pumping up its profits before the flotation: its anti-inflationary rigour is proverbial. Moreover, its results for the year to March have put an undisputed dent in the growth record: it cannot have been in the privatisation programme for Sir Denis Rooke to come out with profits of £551m - down by nearly a quarter. All the same, the 1985 version of the corporation's staunchly current-cost accounting policies do appear to represent a modest loosening, which will scarcely come amiss when the prospectus has to be drafted next year.

If the results had been presented on last year's basis they would certainly have looked much less attractive; British Gas would have been reporting only just over £500m for 1985. Lengthen the depreciation period for gas mains and the profit progression is not only that much smoother, but will move on a generally more elevated level. If nothing else, the restatement lifts 1984 profits to £849m - a figure from which £1bn seems attainable by just a year or two of normal improvements in efficiency.

Cosmetic factors apart, the changes have much to be said for them. It does at least make sense for pipelines to be depreciated over their own economic life, rather than at a rate calculated by guessing how large the gas reserves are. And the knock-on benefit of postponing indefinitely the reversal of corporation tax timing differences has enabled the corporation to write its deferred tax provisions back into the reserves. Not only are profits to be higher, but the balance sheet has grown a fraction larger and stronger. Perhaps British Gas is warming to privatisation after all.

But one of the many dogmas of capitalism is the principle of third time through - having bounced twice, the dollar might fall straight through the support level the third time round. If so, some technical analysts discern another support point at DM 2.75, yet others claim that it will be free fall until DM 2.55 or DM 2.60. Of course, it all depends on where and how thickly you draw the line. But all the chartists agree that against the D-Mark, the dollar is busy falling out of its five-year upward trend. If the Federal Reserve wants to engineer a soft landing, it may have to dissuade currency speculators from trading the trend.

Sterling, meanwhile, is rather further along the line. It broke through the equivalent of the DM 2.83 support level at \$1.30 and the next stop for a break is apparently at around \$1.50, provided interest rates do not fall first. If anything is holding back the D-Mark, it must be interest-rate differentials. With sterling yielding nearly 7 per cent more than the D-Mark, anyone moving out of the dollar must be rather more tempted to buy the pound, if only for its income.

### Throgmorton/SNIT

When Throgmorton Trust bid for the Edinburgh-based Pentland Investment Trust two years ago, it looked to outsiders like a re-run of the battle of Bannockburn. Yesterday's offer for Scottish Northern Investment Trust, based in Aberdeen, was an altogether more solemn affair. Throgmorton is still hoping for a recommendation from SNIT's board, and though that has not yet arrived, SNIT's holding statement was by no means dismissive.

It was clear that something had to happen to SNIT soon. In May, it announced plans to team up with the management of Staneses Assets, another Edinburgh firm. When that deal dissolved, the search for new management turned into a beauty contest with at least three other competitors. Throgmorton decided not even to enter - much easier, it thought, simply to buy the assets.

On yesterday's calculations, those assets do not come cheap. Throgmorton is offering about 150p a share, a discount of around 75 per cent to SNIT's net asset value and a price which will dilute Throgmorton's assets by 2-3 per cent. But the fit looks good. Nearly a fifth of SNIT's assets are in unquoted companies, where specialist investment management is vital - and where Throgmorton has excelled. Then the 20 per cent of SNIT's assets in the U.S. will help Throgmorton's strategy of increasing its overseas exposure.

But SNIT shareholders are only halfway through the first chapter of this saga; their board has hinted that other suitors may be on their way. The market yesterday thought it best to sit tight; the 3p that Throgmorton shares lost was put on to SNIT, whose shares closed at 142p, still less than the value of the bid.

### Tartan fences

In monopolies policy, at any rate, Scotland's national spirit seems to have been robbed of its potency since the intoxicating defeat of takeover bids from Hiram Walker and the Hongkong Bank a few years ago. It is possible, indeed, that yesterday's decision not to block the Guinness offer for Arthur Bell by a monopolies reference marks the end of the Scottish ring fence against hostile bids. If so, it would be consistent with the policy of limiting the work of the monopolies commission to the weighing of arguments about competition, and no bad thing.

The Bell share price has, on the whole, been assuming as much for a while: it has been comfortably clear of the Guinness terms and firmed only another 10p yesterday, to close at 245p. That leaves Guinness with a gap that can only be closed by Bruce's patience - in keeping with its new solicitude for Scottish employment - or maybe an increased offer.

## Paris to slash aid to state industry

Continued from Page 1

Only a small number of priority sectors have escaped the public spending axe. These include law and order, research, education and training expenditures. Even defence was threatened but last minute interministerial negotiations have given the defence budget more funds than the economy ministry originally planned. In turn, this has meant further cuts in other areas mainly in the public administration current spending budget.

As part of these current spending cuts, the Government intends to reduce net employment in the public administration by 5,500 jobs next year. Originally, the target had been around 5,000 jobs.

It also plans to hold down civil servants' wages next year to 3.4 per cent. The recent fall in French interest rates has given a little more leeway to the Finance Ministry on interest payments on the national debt.

M. Bérégovoy and Finance Ministry officials emphasise that the Government has put together a rigorous budget for next year because it believes that it will be ultimately judged by its overall economic track record in the 1986 election and not by any "quick fix" electoral measures in the budget. Indeed, M. Bérégovoy said he would have preferred an even tougher budget.

The overall budget strategy is dictated by President François Mitterrand's desire to see the budget deficit held within a ceiling of 3 per cent of gross domestic product (GDP) next year.

Complicating the Government's task is the current low growth rate of the French economy, with GDP expected to rise by between 0.8 per cent and 1.5 per cent this year depending on a range of recent forecasts.

## UK rules out South Africa sanctions

Continued from Page 1

black community, "whom blacks must be permitted to choose."

Sir Geoffrey called on the South African Government to take the following "bold" steps: the unconditional release of Mr Nelson Mandela and other acknowledged political leaders, an end to forced removals, an end to detention without trial, an early end to the state of emergency, the progressive abolition of discriminatory legislation such as the pass laws and the Group Areas Act and a commitment to some form of common citizenship for all South Africans.

## Borg-Warner achieves radical jobs and pay deal at UK plant

BY JOHN LLOYD, INDUSTRIAL EDITOR, IN LONDON

BORG-WARNER, the U.S. automatic transmission group, has reached a deal with its British unions that involves a six-year pay agreement and gives a large degree of flexibility in working practices.

The deal, more radical in some respects than previous "no strike" agreements between Japanese-owned companies and Britain's electricians' union, the EETPU, has ensured the survival of a plant at Kenfig in Wales, closure of which was announced last December. Some 600 jobs have been saved.

It is understood that the company is to receive some £30m (£42m) of new investment from its Chicago-based parent company, and that will fill some £45m worth of orders for a new product line - details of which have not been disclosed.

The deal was thought so radical by senior officials of the Amalgamated Union of Engineering Workers, the plant's main union, that they told the company they could not agree to it because of its "knock-on" effect in other industries if it was embodied in a formal agreement at national level. They recognised, however, that it was the only way to save jobs and agreed not to oppose it.

Senior officials of Britain's Advisory Conciliation and Arbitration Service were also involved in discussions.

meetings with union and management representatives, and did some "toning down" of a play that was originally even more radical than the present one.

The main points of the agreement include:

- Flexible working practices regarding previously strictly guarded demarcation lines with workers who will operate, maintain and even clean their own machines.
- A 7 per cent pay rise in 1985 and rises of 5 per cent in 1986 and 1987. Precise figures for the second three years of the deal will have to be concluded later.
- Convenors and shop stewards will cease to be full-time union officials.

The deal was preceded by an intensive sales campaign by the plant's management, led by the Australian-born managing director of its transmissions division, Mr Gary Toomey. Mr Toomey met all the employees of the plant in 50-strong groups to convince them that the plan was required to save the plant and their jobs.

The plan, drawn up in a document, was then put to the vote of the workforce, and received "overwhelming" endorsement. A few workers strongly dissented from the terms it lays out, some 20 of whom have since left the company.

The deal is remarkable because the workers at Borg Warner are not, as in many of the electronic plants that have signed "no strike" deals, largely female, with little tradition of unionism. These are largely male, some of them former miners or steelworkers from the nearby Port Talbot plant, and part of a "strong union environment", in the words of Mr Paul Humphries, Borg-Warner's divisional personnel manager.

That environment did not mean constant industrial action - indeed, strikes were not common in the plant - but it did mean, he says, a lack of flexibility and insistence on agreed lines of demarcation.

John Griffiths writes: Britain's Welsh Office is expected to provide financial aid for the new Kenfig project, which is known to involve manufacture of either a full transmission or key components for one. Borg-Warner refuses to comment on whether it is a continuously variable transmission (CVT) for cars, although that prospect appears increasingly likely.

Until the end of last year, Borg-Warner was a partner in Van Doorne Transmissie of the Netherlands, which expected to produce a modern version of a CVT originally fitted in DAF cars in the 1970s.

## S. Africa arrests rise as violence continues

By Anthony Robinson in Johannesburg

AS THE South African security forces continued their round-up of anti-apartheid activists yesterday, police headquarters in Pretoria issued the names of 441 people arrested without charge during the first three days of the state of emergency declared on Saturday night and said a further 60 people had been charged with criminal offences.

Despite the police crackdown, reports of continuing unrest in many parts of the country told of at least five deaths since Sunday. But the funeral of 15 people killed in KwaZulu on the East Rand three weeks ago passed off quietly against the background of a show of strength by army and police units.

Among the mourners was Bishop Keith Sutton, the Bishop of Lichfield. He was sent by the Archbishop of Canterbury, head of the Anglican Church, which numbers millions of blacks as well as white members in South Africa.

Bishop Sutton was accompanied by Bishop Desmond Tutu, the black Anglican Bishop of Johannesburg, who, in a moving speech, denounced the state of emergency but also the brutal killings of alleged black informers which have occurred in recent weeks. He threatened to "collectively" family and leave this country which I love so dearly if such killings recurred.

Among the subjects of security force attention yesterday was the Johannesburg headquarters of the United Democratic Front (UDF), which was raided at noon. Police detained one man and emerged with a box of documents after a three-hour search.

Activists from the UDF as well as the rival black consciousness Azapo movement figured prominently among the list of detained persons, which also includes four priests and leaders of the black motor assembly and component workers union (Mincusa) in the Port Elizabeth area, scene of recent strikes in the Ford, General Motors and Volkswagen plants.

In perhaps the most embarrassing incident for the Government, three policemen arrested Mrs Molly Blackburn, a prominent local opposition councillor in Port Elizabeth, only hours before she was due to meet a group of high-ranking members of the Ford Foundation, who are in South Africa on a fact-finding mission.

Mrs Blackburn, who has earned the respect and affection of the black community for her defence of the civil and other rights of detainees and their families, was charged under the security acts for attending an illegal meeting on July 14 and released hours later after paying R100 (\$63) bail.

## Opec discusses price cut plan

BY RICHARD JOHNS IN GENEVA

THE Organisation of Petroleum Exporting Countries was last night moving towards an agreement to cut the price of heavy crude by 50 cents or so a barrel.

Any such compromise would last only until the next ministerial conference, expected in mid-September. It would do little, if anything, to revive the flagging output of Saudi Arabia but might at least save its face "after" complaints about the drastic fall in demand for the Kingdom's oil because of price discounting by other members and thinly veiled threats of retaliation from Riyadh.

The impression left by a beaming Sheikh Ahmed Zaki Yamani, Saudi Minister of Oil, is that his Government can afford to wait a little longer, giving other members a chance to observe more fully commitments to official selling rates and quotas under the present ceiling of 16m barrels a day (b/d).

A cut of \$1.50 would be required to align the official rate for the Kingdom's Arabian Heavy with an API gravity of 27 degrees, with the market rates and boost Saudi exports. A 50 cent reduction would bring its price down to \$26 and other Opec varieties would be lowered accordingly.

It looked as if some special arrangement would have to be made for Venezuela's varieties of even heavier crude lest it take unilateral

action to match cuts made by Mexico nearly two months ago.

The Opec ceiling of 16m b/d has ceased to have much meaning as actual demand and output have plummeted well below this level, set last October. The most recent edition of the well informed Middle East Economic Survey calculates the average output for the second quarter at 14.7m b/d, with the rate for June having dropped to only 13.7m b/d, when, it reckons, the United Arab Emirates, Ecuador, Venezuela and Gabon were exceeding quotas.

Algeria will almost certainly dissociate itself from any agreement geared to satisfying Saudi grievances. It will probably be joined in opposition by Libya and Iran. All three dissented from the majority decision to raise the price of Arabian Heavy by 50 cents in January, when it was considered undervalued, and lower the Arabian Light, previously regarded as Opec's reference price, from \$29 to \$28.

Mr Belkacem Nabi, Algerian chief delegate, is understood to have put up a truculent performance yesterday at a session devoted to a discussion of the report by Opec's Ministerial Executive Council chaired by Sheikh Yamani and established at the end of last year to help to enforce adherence to official prices and output quotas. He is

said to have criticised vehemently the work of the council.

According to one senior delegate, so fierce was the opposition of the 13 members that they failed to comply with mandates given by the Dutch auditing firm KMG Klynveld Kraayenhof by opening all books and other relevant information necessary for its task of checking on pricing and production practices.

The talks adjourned last night without agreement and are due to resume this morning.

Max Wilkinson, in London, writes: Sterling shrugged off any anxieties about future oil prices yesterday, gaining ground against continental European currencies and a weakening dollar.

The stout performance of sterling encouraged foreign buyers to continue to move into the government securities market, where prices generally moved up, particularly for longer dated stocks.

The pound's strong performance and evidence that the dollar continued to be weak encouraged hopes in the markets that a further cut in UK interest rates might soon appear on the horizon.

The British authorities, however, still seem to be very reluctant to start looking towards the next cut in clearing bank base lending rates.

BP's challenge, Page 24

## Auditors to sue Lawson for libel

Continued from Page 1

rare. In 1985 one Chatterton sued the Secretary of State for India for libel, and there may be other unrecorded cases.

"If a minister were sued for defamation" Mr Peter Carter-Ruck, a leading libel lawyer, said last night, "he might well succeed on a plea of privilege, on the ground that he made the statement in the public interest."

The public interest was held to justify a defamatory letter published in The Times in *Adam v Wood* in 1917.

In that case the plaintiff, Mr Adam, who was an officer in a cavalry regiment and an MP, made

false charges against his general in the House of Commons. The Secretary of the Army Council sent a letter to The Times vindicating the general and defaming Mr Adam.

It was held that publication in the press was justified on the ground of qualified privilege, because the charges in the house had raised wide publicity and the response was in the public interest.

Peter Riddell, Political Editor, adds: The JMB affair will be raised again in the Commons on Friday. Mr Brian Sedgmore, a Labour MP who has made a series of allegations about alleged fraud, will initiate a 45-minute adjournment de-



Mr Nigel Lawson

bate just before parliament rises for the summer recess on the Treasury response to the JMB collapse.

## World Weather

Location	Temp	Wind	Cloud	Temp	Wind	Cloud	Temp	Wind	Cloud
Aberdeen	15	10	10	London	18	10	10	London	18
Amsterdam	15	10	10	Manchester	17	10	10	Manchester	17
Antwerp	15	10	10	Paris	19	10	10	Paris	19
Birmingham	16	10	10	Rome	21	10	10	Rome	21
Bombay	28	10	10	Stockholm	14	10	10	Stockholm	14
Buenos Aires	20	10	10	Switzerland	15	10	10	Switzerland	15
Calcutta	30	10	10	Toronto	16	10	10	Toronto	16
Canton	28	10	10	Washington	17	10	10	Washington	17
Cebu	29	10	10	Wellington	14	10	10	Wellington	14
Colon	28	10	10	Yokohama	18	10	10	Yokohama	18
Hankow	27	10	10						
Hong Kong	28	10	10						
Kobe	20	10	10						
London	18	10	10						
Lyons	17	10	10						
Madras	29	10	10						
Manila	28	10	10						
Medan	27	10	10						
Osaka	20	10	10						
Shanghai	27	10	10						
Singapore	28	10	10						
Sourabaya	27	10	10						
Tokyo	20	10	10						
Yokohama	18	10	10						



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## SECTION II - COMPANIES AND MARKETS

# FINANCIAL TIMES

Wednesday July 24 1985



Stratford-upon-Avon (0789) 204288

## Exxon earnings cut by \$545m special charge

BY WILLIAM HALL IN NEW YORK

EXXON, the world's biggest oil company, yesterday reported a 43 per cent drop in its second quarter net income to \$745m after taking an additional \$545m charge to cover its possible losses from a recent U.S. court ruling. Exxon was said to have charged too much for oil produced from its east Texas oilfield during a period of price controls.

The effect of the charge was to reduce earnings per share in the second quarter by 71 cents to 99 cents, compared with \$1.63 in the same period last year. The company says if the special charge is excluded its earnings per share in the latest period rose 4.3 per cent to \$1.70, reflecting the recent share buyback programme it has been conducting in the open market.

The group's overall net income, excluding the special charge, fell from \$1.35bn to \$1.29bn. The result is slightly disappointing given the big improvement in margins on downstream refining and marketing operations which has boosted other U.S. oil groups.

Mr Cliff Garvin, Exxon's chairman, said yesterday, "U.S. economic growth in the second quarter trailed last year's robust conditions with resulting weaker demand for petroleum products. Reductions in demand for boiler fuels, in part due to fuel substitution, more than offset growth in transport fuels, aircraft, and oil demand was stagnant."

The company says that despite lower economic growth, earnings from refining and marketing operations improved in the second quarter relative to both the first quarter and the same period last year. Improvements were realised in both the U.S. and abroad as margins strengthened. However, Exxon's chemical results were down from the strong 1984 second quarter as worldwide overcapacity reduced margins.

The dollar weakened relative to major foreign currencies throughout the second quarter in contrast to a general strengthening in the same quarter last year, with a re-

sulting decrease in foreign exchange gains on overseas debt.

Exxon said yesterday that it continues to believe that the court decision on overcharging is "inequitable." It is seeking to have the ruling overturned and will go to the Supreme Court if necessary. In the meantime the latest provision means it has set aside \$1bn to cover its exposure in this case and other Department of Energy regulatory matters.

Meanwhile, two of the other big U.S. oil groups which have been undergoing a major restructuring in recent months reported their results yesterday. Atlantic Richfield, which had already announced it was taking a \$1.5bn charge to cover its restructuring costs, reported a \$1.1bn second-quarter loss, equal to \$4.90 per share. Phillips Petroleum reported a 52 per cent drop in its second quarter net income to \$116m partly due to a \$43m charge to cover a restructuring programme following the unsuccessful takeover bid by Mr Carl Icahn.

## PepsiCo sparkles during quarter

By Chris Cameron-Jones in New York

PEPSICO, the leading challenger to Coca-Cola's dominance of the world soft drink market, achieved 29 per cent growth in pre-tax earnings from continuing operations in the second quarter and a major turnaround in reported overall net income. PepsiCo's substantially faster expansion in the U.S. than that of the soft drink industry generally helped push its worldwide soft drink earnings ahead 10 per cent.

Overall net income in the latest quarter reached \$266.25m or \$2.68 a share, with \$119.3m from continuing activities and a \$129.7m net gain from disposals. This compared with an overall loss of \$42.55m or 44 cents, in the corresponding period a year ago. Then, continuing operations contributed \$30.33m net, but there was a \$156m pre-tax provision for restructuring and a \$15m net loss on disposals.

For the first half, net final income emerged sharply up at \$319.13m or \$3.34 a share against \$4.81m or 6 cents. Sales for the six months were up \$197m at \$3.56bn, with a \$122m advance to \$1.94bn in the second quarter.

Mr Donald Kendall, chairman and chief executive, said that even greater momentum was expected in operations for the rest of 1985, with a strong second half by all three business sectors.

During the latest quarter, sales from U.S. Pepsi-Cola bottlers were 11 per cent ahead but abroad they were little changed. In snack foods, earnings were 19 per cent higher for the period but restaurant business earnings slipped 6 per cent.

## Commerzbank earnings rise 21% at mid-way

BY JONATHAN CARR IN FRANKFURT

COMMERZBANK, the West German commercial bank, sharply boosted operating profit in the first half of this year due to record earnings from trading on its own account in securities and foreign exchange.

Earnings from commissions business jumped by 21.3 per cent against one half of the full 1984 result to DM 399.3m (\$96.8m), while interest profits rose by 1.6 per cent to DM 932.2m.

After deducting personnel and other expenses, this left Commerzbank at mid-year with a "partial" operating profit of DM 318.1m - just 0.2 per cent more than the comparable 1984 figure.

Full operating profit was well ahead, however, thanks to what Commerzbank describes as the highest six-month earnings it has achieved from own-account trading. Precise figures were not given.

Commerzbank is the first of the "big three" German commercial banks to announce first-half results, with Deutsche and Dresdner banks expected to follow in the next fortnight.

Indications are that the major banks are heading for 1985 profits which could well surpass the 1984 results, and even match the record figures of 1983. In Commerzbank's case, there is already speculation that the dividend may be raised from the current level of DM 6 per DM 50 share.

As the Commerzbank interim report makes clear, the profits improvement is coming against a background of a strengthening domestic economy, with low inflation and falling interest rates. Corporate lending is particularly brisk.

The parent bank's balance sheet total increased from DM 72.8bn at the end of last year to DM 75.4bn in mid-1985, while that of the group was up from DM 122.7bn to DM 129.2bn. The liable funds of the parent have been raised to DM 3.14bn, thanks mainly to the issue this month of DM 425m worth of profit-sharing certificates.

In another development, Commerzbank has confirmed that Banco Hispano Americano (BHA), one of Spain's biggest banks, will not after all be exercising its option to acquire Commerzbank stock.

Under an accord announced in June last year, Commerzbank took a 10 per cent stake in BHA, which in turn was to have a holding of up to 7.5 per cent in the German bank.

It is understood that BHA will not be taking a stake, not least because of a tightening of Spanish law making it costlier for domestic banks to acquire holdings in foreign enterprises.

## Montedison may agree truce with BI-Invest

By Alan Friedman in London

SIGNS of a truce were emerging yesterday in the bitter corporate struggle between Montedison, the Milan-based chemicals group, and BI-Invest, the financial and industrial holding company in which it took a 37 per cent controlling stake earlier this month.

Montedison paid L240bn (\$123m) to stock-market raiders for the BI-Invest stake, but trouble occurred immediately when it became clear that in doing so Montedison had taken an indirect stake in itself - BI-Invest holds an indirect stake in Montedison through its shareholding in Gemina, a financial vehicle also controlled by Fiat and Pirelli.

Last week it was learned that BI-Invest might have succeeded in blocking Montedison by spending L40bn to acquire more than 2 per cent of Montedison. This counter-attack, using Italian law on cross-holdings, is designed to force Montedison to cede its BI-Invest stake.

Yesterday, key signs emerged that the two parties might be willing to call a truce and thereby allow mediation by Sig Cesare Romiti, Fiat managing director to continue privately. An extraordinary meeting of BI-Invest shareholders had been called to approve a motion allowing the company to buy its own shares in the market in order to overtake the Montedison stake. Sig Carlo Bonomi, BI-Invest chairman, asked shareholders to abandon the proposal. Meanwhile, Montedison, which had been expected to appear at the meeting, did not even attend.

Indesit, Italy's troubled manufacturer of white goods, which last week dismissed and replaced its entire board after disclosing a record L100bn loss for 1984, was in talks last night with senior officials of the Ministry of Industry.

The company was discussing details of its restructuring plan, which is likely to involve big lay-offs and the sale of a part of the company.

## Setback for Sears, Roebuck

BY OUR NEW YORK STAFF

SEARS, ROEBUCK, the world's largest retailer, continued to be hit by the economic slowdown and a highly competitive marketplace in the second quarter. In merchandising, the main division, there was a 35 per cent fall in income, leaving overall operating income down 9.8 per cent at \$301.7m.

After-tax earnings slid to \$265.5m or 72 cents a share, from \$356m or 99 cents. Part of this decline was attributable to lower realised capital gains and other income of \$22.8m, compared with \$95.1m last time. Also the year-ago period benefited from \$64.1m from the sale of properties and a debt equity swap.

The results were below market expectations and Sears shares fell 5/4 to \$37 1/4 in early trading on Wall Street.

Looking ahead, Mr Edward Telling, the chairman and chief executive, said that strong money supply growth and lower interest rates were contributing to increased consumer confidence and setting the stage for a better second half.

Half year net income declined from \$369.6m, or \$1.59 to \$498.8m or \$1.34, with net gains and other income down at \$11.8m from \$147.1m previously.

Total revenue for the six months was 4.5 per cent better at \$18.6bn, compared with \$17.81bn, including

expectations and Sears shares fell 5/4 to \$37 1/4 in early trading on Wall Street.

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Total revenue for the six months was 4.5 per cent better at \$18.6bn, compared with \$17.81bn, including

a 4.2 per cent advance in the latest quarter to \$8.84bn, from \$9.44bn.

Allstate Insurance, Sears' second largest activity, turned in a \$8.1m increase in income for the quarter to \$152.5m on revenue 14 per cent higher at \$3.53bn. Also Dean Witter Financial Services recovered to a \$12.2m profit from a \$22.7m loss.

The improvement at Dean Witter reflects increased volume in the securities market. Its revenues were almost \$100m ahead in the quarter to \$598.1m.

Income at Coldwell Banker Real Estate fell to \$4.8m. In the year ago period much of the \$32.5m income arose from the sale of shopping centres. Revenue increased to \$235.5m,

## Good forecast for Swiss Volksbank

By Our Financial Staff

SWISS VOLKSBANK, the Swiss bank, expects good results for 1985 after a strong second-quarter performance.

The bank says earnings for the three months ended June were significantly above the comparable 1984 levels, and also ahead of internal budget.

The improvement mostly reflects buoyant stock market and foreign exchange conditions, it points out. Balance sheet total at June was SwFr 24.23bn (\$10.18bn), up almost 6 per cent from the level six months earlier.

Volkbank's mid-term report mirrors that of a number of other Swiss banks. Swiss Bank Corporation and Union Bank of Switzerland, two of the Swiss big three commercial banks, recently disclosed strong first-half results.

For 1984 Volksbank made a net profit of SwFr 75m, an increase of 20 per cent over the SwFr 62.2m of 1983.

## Brazilian bank returns big increase

By Andrew Whitley in Rio de Janeiro

BANCO BRASILEIRO de Descontos, the leading Brazilian private bank yesterday reported a 123 per cent increase in pre-tax profits for the first half to \$219m, compared with the same period last year.

The Bradesco management conglomerate, of which the commercial bank forms the largest part, improved its earnings before tax by 91 per cent to \$295m.

A strong performance had been expected as the first half of 1984 had been exceptionally poor in the Bradesco entire banking sector. But results were better than forecast.

The group's total assets increased by 14 per cent during the half and 20 per cent over the full 12 months to stand at \$9.67bn.

## Phibro-Salomon advances strongly

BY OUR FINANCIAL STAFF

PHIBRO-SALOMON, the Wall Street investment banking and commodities trading group, has reported a 41 per cent increase in net earnings for the quarter ended June 30 to \$145m from \$103m in the same period last year.

For the first six months of this year, net earnings reached \$288m, up 28 per cent on the previous year's \$223m. Net per share, fully diluted, rose to 94 cents from 68 cents.

At the pre-tax level, second quarter profits of \$249m were up 73 per cent on last year's \$145m. The company said that its effective tax rate continued to reflect provisions for 1985 arising from earnings gains by its domestic U.S. operations.

Revenues, at \$6.15bn, were down 11 per cent for the quarter from \$6.82bn a year earlier, and down 9.2 per cent for the half year to \$12.3bn from \$13.5bn.

Salomon Brothers, the group's

securities and investment banking arm, saw pre-tax profits rise 85 per cent to \$208m for the quarter from \$112m last year, and maintained its position as the leading U.S. underwriter of securities issues, according to Mr John Gutfreund, chairman of the group.

Phibro Energy, the group's oil dealing subsidiary, benefited from some firming of spot oil markets, according to Mr Gutfreund.

## EUROBONDS

## BNP's Ecu venture welcomed

BY MAGGIE URRY IN LONDON

BANQUE Nationale de Paris braved the European Currency Unit (Ecu) market with the first new issue since the first was devalued over the weekend. The deal, for Ecu 75m, was welcomed by the market and traded at a discount around the 1 1/4 per cent selling concession.

The issue has a 10-year life and pays a coupon of 8 1/2 per cent with the issue price set at par. Fees total 2 per cent. BNP itself is book-runner.

The Ecu market has been fairly stable since the weekend and prices were little changed yesterday. Dealers said that the new issue helped to give the market confidence.

An entry in the Australian dollar bond market was also successful. The AS50m issue marked the debut of the Australian Gas Light Company in the international debt markets, and was led by Orion Royal Bank.

The issue has a seven-year maturity and pays a 13 per cent coupon with the issue price set at 100%. Fees total 2 per cent. The bonds were trading at a discount of around 1/4 point to the issue price.

Meanwhile the falling U.S. dollar and the lower New York bond market are continuing to unsettle the Eurodollar bond market. Traders noted a complete lack of interest in this sector and prices drifted down by 1/4 to 1/2 point.

The only deal to be issued was a minimum \$35m two-tranche convertible by Pegasus Gold, the U.S. subsidiary of a Canadian company, whose shares are quoted on the Toronto Stock Exchange and dealt over the counter in the U.S. The company operates the Zortman/Landusky gold and silver mine in Montana.

While the first tranche is a straightforward bond, convertible into shares, the second is convertible into gold, giving investors a play on the gold price over the seven-year life of the bonds.

This \$10m tranche will pay a 5 per cent coupon so that investors receive some income while hoping for a gold price rise. The bonds will convert into gold at a price to be fixed in late August at a three-day average of the London gold fixing.

The tranche convertible into

shares will be of between \$25m and \$35m, with a seven-year life and an 8 1/2 per cent coupon. The conversion premium will be about 15 per cent. Issue price for both tranches is par. The lead managers on the deal are Bank Gutzwiller, Kurz, Bungeger (Overseas) and Prudential-Beche Securities.

In the Swiss franc foreign bond market Soditis launched a SwFr 200m maximum public debt for Consolidated Press International Finance, the Australian media group controlled by Mr Kerry Parker. The issue has a 10-year life.

The secondary market was quiet, with prices drifting lower where changed. Two new issues traded for the first time. Ferrovie dello Stato's SwFr 100m floating rate note closed yesterday at 98 1/4 compared to the par issue price, after opening in the morning at 99 1/4. First City Financial's SwFr 125m dual-currency issue closed at 99 1/4 in dollar terms compared to a par issue price.

D-Mark Eurobonds maintained price levels in this trading.

International bond service, Page 17

## Mexican brewer under new control

BY DAVID GARDNER IN MEXICO CITY

CERVECERIA Moctezuma (Cermot), the troubled Mexican brewery, which has been looked in dispute with its foreign creditor banks for the last 18 months, is to become part of the Visa Group, the country's second largest private holding company.

The deal will rationalise the beer industry and increase the banks' chances of repayments on Cermot's debt of over \$400m.

Sr Alberto Bailleres, Cermot's main shareholder, will surrender majority control of the brewery, in return for a minority holding in Visa, probably of 12 per cent. Not all details have been announced.

Visa, the Monterrey company

with activities centring on brewing, soft drinks, food processing and packaging, owns the Cuauhtemoc brewery, which ranks second after the family owned Modelo brewery, and just ahead of Cermot. Rather than actually merging, Cuauhtemoc and Cermot will now run a co-ordinated and complementary strategy to compete against Modelo, according to industry sources.

From the bankers' point of view the deal may break the 18-month-old impasse in negotiations with Cermot. Sr Bailleres had been resisting a bank-inspired restructuring plan which proposed that he cede a stake in the company, in return for capitalisation of part of the

debt. The proposals were that the banks converted \$40m in debt into a 30 per cent stake or \$80m into a 60 per cent holding.

Under the first option Sr Bailleres, who heads a powerful business empire which includes Industrias Penoles, the world's largest private silver producer, would put up \$40m of his own capital.

Cermot's creditors finally started bankruptcy proceedings against the company in the face of Sr Bailleres' refusal to consider the capitalisation plan. Cermot's owner had earlier declared a suspension of payments giving his court protection against any immediate prospect of liquidation. But after new bank-

ruptcy proceedings began in September, Mexico's financial authorities took over Cermot's management.

It is thought that Cermot creditors will more easily reach a restructuring agreement with Visa, which in February 1984 rescheduled \$1.05bn on a floating-rate-note basis, thereby exempting itself from Mexico's 15 per cent withholding tax on dollar debt and greatly improving its liquidity. Ironically, it seems that Sr Bailleres, who has never commented publicly on the Cermot affair, will be surrendering 60 per cent of the company to Visa or exactly the highest stake in the rejected capitalisation proposals.

This announcement appears as a matter of record only.

# Kesco

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## REINSURANCE

Each year the Financial Times produces its important Survey on Reinsurance. The Survey is published to coincide with the Monte Carlo Rendez-vous, when copies of the newspaper, including the Survey, are widely distributed.

This year the Reinsurance Survey will be published on Monday, September 9.

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## INT. COMPANIES and FINANCE

## Downstream recovery lifts oil majors

BY OUR NEW YORK STAFF

MOBIL and Amoco, the second and fourth biggest U.S. oil groups, achieved improved second-quarter earnings, largely because of better margins on downstream refining and marketing operations.

Mobil's earnings rose 12 per cent to \$411m while Amoco's were up 15 per cent at \$600m. Earnings a share increased 20 per cent to \$2.28 as a result of the group's share buyback programme. Mobil's earnings on a per-share basis rose 12 per cent to \$1.01.

Mobil says the improvement in refining and marketing margins which began in the first quarter of

1985 continued through the second quarter, particularly in the U.S. That, combined with higher worldwide production of oil and gas, more than offset the impact of lower crude oil prices.

In the first six months of the year, Mobil's U.S. refining and marketing operations made a \$42m profit compared with a loss of \$10m last year. Overseas refining and marketing profits fell, however, from \$133m to \$37m.

Mr Richard Morrow, Amoco's chairman said: "The high level of earnings achieved in the second

quarter is unlikely to continue during the balance of the year due to increasing downward pressure on crude and product prices, as worldwide production and refining capacities continue to exceed projected petroleum demand levels."

For the first half, Mobil's earnings declined to \$731m or \$1.79 a share from \$749m or \$1.83. Revenues fell slightly to \$29.8bn from \$30.1bn.

Amoco's first half earnings were \$1.07bn, or \$4.04 a share, against \$1.12bn, or \$3.84. Revenues declined to \$14.3bn from \$15bn.

Meanwhile Occidental Petroleum, the west coast oil group which earlier this week announced higher second-quarter profits, has agreed to buy 2.3m of its \$15.50 cumulative preferred shares from Drexel Burnham Lambert, the U.S. investment bank, for about \$253m.

As foreshadowed in June, the purchase will be made with cash from the \$1bn sale to Royal Dutch/Shell of a 50 per cent interest in Occidental's Colombian oil interests. Following the deal with Drexel, Occidental will have retired 46 per cent of the preferred shares issued for the acquisition of Cities Service.

## NORTH AMERICAN QUARTERLY RESULTS

AMERICAN BROADCASTING COS.			
Television			
	1985	1984	
Second quarter	\$85.2m	\$84.1m	
Revenue	72.1m	72.4m	
Net profit	2.51	2.48	
Op. net profit	1.65m	1.69m	
Six months	32.5m	32.3m	
Revenue	22.5m	22.3m	
Net profit	3.18	3.30	
Op. net profit	1.85m	1.88m	
Six months	7.5m	7.6m	
Revenue	4.5m	4.6m	
Net profit	0.77	0.78	
Op. net profit	0.45m	0.46m	
Six months	1.2m	1.2m	
Revenue	0.6m	0.6m	
Net profit	0.09	0.09	
Op. net profit	0.05m	0.05m	
Six months	0.1m	0.1m	
Revenue	0.05m	0.05m	
Net profit	0.01	0.01	
Op. net profit	0.005m	0.005m	
Six months	0.01m	0.01m	
Revenue	0.005m	0.005m	
Net profit	0.001	0.001	
Op. net profit	0.0005m	0.0005m	
Six months	0.001m	0.001m	
Revenue	0.0005m	0.0005m	
Net profit	0.0001	0.0001	
Op. net profit	0.00005m	0.00005m	
Six months	0.0001m	0.0001m	
Revenue	0.00005m	0.00005m	
Net profit	0.00001	0.00001	
Op. net profit	0.000005m	0.000005m	
Six months	0.00001m	0.00001m	
Revenue	0.000005m	0.000005m	
Net profit	0.000001	0.000001	
Op. net profit	0.0000005m	0.0000005m	
Six months	0.000001m	0.000001m	
Revenue	0.0000005m	0.0000005m	
Net profit	0.0000001	0.0000001	
Op. net profit	0.00000005m	0.00000005m	
Six months	0.0000001m	0.0000001m	
Revenue	0.00000005m	0.00000005m	
Net profit	0.00000001	0.00000001	
Op. net profit	0.000000005m	0.000000005m	
Six months	0.00000001m	0.00000001m	
Revenue	0.000000005m	0.000000005m	
Net profit	0.000000001	0.000000001	
Op. net profit	0.0000000005m	0.0000000005m	
Six months	0.000000001m	0.000000001m	
Revenue	0.0000000005m	0.0000000005m	
Net profit	0.0000000001	0.0000000001	
Op. net profit	0.00000000005m	0.00000000005m	
Six months	0.0000000001m	0.0000000001m	
Revenue	0.00000000005m	0.00000000005m	
Net profit	0.00000000001	0.00000000001	
Op. net profit	0.000000000005m	0.000000000005m	
Six months	0.00000000001m	0.00000000001m	
Revenue	0.000000000005m	0.000000000005m	
Net profit	0.000000000001	0.000000000001	
Op. net profit	0.0000000000005m	0.0000000000005m	
Six months	0.000000000001m	0.000000000001m	
Revenue	0.0000000000005m	0.0000000000005m	
Net profit	0.0000000000001	0.0000000000001	
Op. net profit	0.00000000000005m	0.00000000000005m	
Six months	0.0000000000001m	0.0000000000001m	
Revenue	0.00000000000005m	0.00000000000005m	
Net profit	0.00000000000001	0.00000000000001	
Op. net profit	0.000000000000005m	0.000000000000005m	
Six months	0.00000000000001m	0.00000000000001m	
Revenue	0.000000000000005m	0.000000000000005m	
Net profit	0.000000000000001	0.000000000000001	
Op. net profit	0.0000000000000005m	0.0000000000000005m	
Six months	0.000000000000001m	0.000000000000001m	
Revenue	0.0000000000000005m	0.0000000000000005m	
Net profit	0.0000000000000001	0.0000000000000001	
Op. net profit	0.00000000000000005m	0.00000000000000005m	
Six months	0.0000000000000001m	0.0000000000000001m	
Revenue	0.00000000000000005m	0.00000000000000005m	
Net profit	0.00000000000000001	0.00000000000000001	
Op. net profit	0.000000000000000005m	0.000000000000000005m	
Six months	0.00000000000000001m	0.00000000000000001m	
Revenue	0.000000000000000005m	0.000000000000000005m	
Net profit	0.000000000000000001	0.000000000000000001	
Op. net profit	0.0000000000000000005m	0.0000000000000000005m	
Six months	0.000000000000000001m	0.000000000000000001m	
Revenue	0.0000000000000000005m	0.0000000000000000005m	
Net profit	0.0000000000000000001	0.0000000000000000001	
Op. net profit	0.00000000000000000005m	0.00000000000000000005m	
Six months	0.0000000000000000001m	0.0000000000000000001m	
Revenue	0.00000000000000000005m	0.00000000000000000005m	
Net profit	0.00000000000000000001	0.00000000000000000001	
Op. net profit	0.000000000000000000005m	0.000000000000000000005m	
Six months	0.00000000000000000001m	0.00000000000000000001m	
Revenue	0.000000000000000000005m	0.000000000000000000005m	
Net profit	0.000000000000000000001	0.000000000000000000001	
Op. net profit	0.0000000000000000000005m	0.0000000000000000000005m	
Six months	0.000000000000000000001m	0.000000000000000000001m	
Revenue	0.0000000000000000000005m	0.0000000000000000000005m	
Net profit	0.0000000000000000000001	0.0000000000000000000001	
Op. net profit	0.00000000000000000000005m	0.00000000000000000000005m	
Six months	0.0000000000000000000001m	0.0000000000000000000001m	
Revenue	0.00000000000000000000005m	0.00000000000000000000005m	
Net profit	0.00000000000000000000001	0.00000000000000000000001	
Op. net profit	0.000000000000000000000005m	0.000000000000000000000005m	
Six months	0.00000000000000000000001m	0.00000000000000000000001m	
Revenue	0.000000000000000000000005m	0.000000000000000000000005m	
Net profit	0.000000000000000000000001	0.000000000000000000000001	
Op. net profit	0.0000000000000000000000005m	0.0000000000000000000000005m	
Six months	0.000000000000000000000001m	0.000000000000000000000001m	
Revenue	0.0000000000000000000000005m	0.0000000000000000000000005m	
Net profit	0.0000000000000000000000001	0.0000000000000000000000001	
Op. net profit	0.00000000000000000000000005m	0.00000000000000000000000005m	
Six months	0.0000000000000000000000001m	0.0000000000000000000000001m	
Revenue	0.00000000000000000000000005m	0.00000000000000000000000005m	
Net profit	0.00000000000000000000000001	0.00000000000000000000000001	
Op. net profit	0.000000000000000000000000005m	0.000000000000000000000000005m	
Six months	0.00000000000000000000000001m	0.00000000000000000000000001m	
Revenue	0.000000000000000000000000005m	0.000000000000000000000000005m	
Net profit	0.000000000000000000000000001	0.000000000000000000000000001	
Op. net profit	0.0000000000000000000000000005m	0.0000000000000000000000000005m	
Six months	0.000000000000000000000000001m	0.000000000000000000000000001m	
Revenue	0.0000000000000000000000000005m	0.0000000000000000000000000005m	
Net profit	0.0000000000000000000000000001	0.0000000000000000000000000001	
Op. net profit	0.00000000000000000000000000005m	0.00000000000000000000000000005m	
Six months	0.0000000000000000000000000001m	0.0000000000000000000000000001m	
Revenue	0.00000000000000000000000000005m	0.00000000000000000000000000005m	
Net profit	0.00000000000000000000000000001	0.00000000000000000000000000001	
Op. net profit	0.000000000000000000000000000005m	0.000000000000000000000000000005m	
Six months	0.00000000000000000000000000001m	0.00000000000000000000000000001m	
Revenue	0.000000000000000000000000000005m	0.000000000000000000000000000005m	
Net profit	0.000000000000000000000000000001	0.000000000000000000000000000001	
Op. net profit	0.0000000000000000000000000000005m	0.0000000000000000000000000000005m	
Six months	0.000000000000000000000000000001m	0.000000000000000000000000000001m	
Revenue	0.0000000000000000000000000000005m	0.0000000000000000000000000000005m	



## INTERNATIONAL COMPANIES and FINANCE

## Strong results for Merrill Lynch

BY OUR NEW YORK STAFF

MERRILL LYNCH of the U.S., the world's largest securities broker, continued to benefit strongly from an active stock market and higher average share prices in the second quarter. Strong performance in all other operating areas too and better cost control converted a \$32.8m or 36 cents a share net loss a year ago into a profit of \$87.6m or 69 cents a share.

Commission revenues more than tripled to \$378m and principal transaction revenues quadrupled from last year's depressed levels to a record \$358m.

Separately the firm has named Mr Daniel Tully, 53, as president

and chief operating officer, in place of Mr William Schreyer, who in April succeeded the previous chairman, Mr Roger Birk, when he retired. Mr Tully is also named a director, together with three others, increasing the board to 15 members.

Together with the near-trebling of earnings in the first three months, the latest results took half-year total net income to \$123.2m or \$1.27, compared with a loss of \$14.2m or 16 cents. Revenue for the period grew from \$2.75bn to \$3.35bn with a 30 per cent advance in the latest quarter to \$1.76bn from \$1.36bn.

## Warner Communications continues recovery

BY CHRIS CAMERON-JONES IN NEW YORK

WARNER COMMUNICATIONS, the U.S. film and entertainment group which appears to be back in the takeover arena, has continued its recovery in the second quarter.

Aided by strong performances in its film and entertainment and record-music divisions, the company achieved net earnings of \$28.56m, or 41 cents a share in the quarter, compared with a \$27.2m loss on continuing operations a year ago.

For the first six months, profit

reached \$50.01m, or 72 cents, against a loss of \$20.04m on continuing activities. A year ago, the net final loss for the half year was \$406.8m.

Mr Steven Ross, the chairman and chief executive, said that the second quarter turnaround was also helped by sharply lower corporate expenses. The results reflected the success of the company's strategic decision to focus its attention on its core entertainment and communications businesses, he added.

## FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for July 23.

U.S. DOLLAR	Issued	Bid	Offer	Change on day	Week	Yield
STRANIGHTS						
Ames Corp 10% 90	100	101 1/2	102 1/2	+ 1/2	+ 1/2	10.47
Ames Corp 12% 85	150	105 1/2	106 1/2	+ 1/2	+ 1/2	10.40
Ames Corp 15% 80	250	108 1/2	109 1/2	+ 1/2	+ 1/2	11.25
Bank of Tokyo 10% 91	100	111 1/2	112 1/2	+ 1/2	+ 1/2	10.38
BP Capital 1% 92	150	101 1/2	102 1/2	+ 1/2	+ 1/2	10.73
Canada 11% 90	500	104 1/2	105 1/2	+ 1/2	+ 1/2	10.77
Canada 12% 89	100	101 1/2	102 1/2	+ 1/2	+ 1/2	10.57
Canada 13% 88	75	100 1/2	101 1/2	+ 1/2	+ 1/2	11.46
Canada 14% 87	100	101 1/2	102 1/2	+ 1/2	+ 1/2	11.46
Canada 15% 86	100	102 1/2	103 1/2	+ 1/2	+ 1/2	11.42
Canada 16% 85	100	103 1/2	104 1/2	+ 1/2	+ 1/2	11.40
Canada 17% 84	100	104 1/2	105 1/2	+ 1/2	+ 1/2	11.31
Canada 18% 83	100	105 1/2	106 1/2	+ 1/2	+ 1/2	11.26
Canada 19% 82	100	106 1/2	107 1/2	+ 1/2	+ 1/2	11.21
Canada 20% 81	100	107 1/2	108 1/2	+ 1/2	+ 1/2	11.16
Canada 21% 80	100	108 1/2	109 1/2	+ 1/2	+ 1/2	11.11
Canada 22% 79	100	109 1/2	110 1/2	+ 1/2	+ 1/2	11.06
Canada 23% 78	100	110 1/2	111 1/2	+ 1/2	+ 1/2	11.01
Canada 24% 77	100	111 1/2	112 1/2	+ 1/2	+ 1/2	10.96
Canada 25% 76	100	112 1/2	113 1/2	+ 1/2	+ 1/2	10.91
Canada 26% 75	100	113 1/2	114 1/2	+ 1/2	+ 1/2	10.86
Canada 27% 74	100	114 1/2	115 1/2	+ 1/2	+ 1/2	10.81
Canada 28% 73	100	115 1/2	116 1/2	+ 1/2	+ 1/2	10.76
Canada 29% 72	100	116 1/2	117 1/2	+ 1/2	+ 1/2	10.71
Canada 30% 71	100	117 1/2	118 1/2	+ 1/2	+ 1/2	10.66
Canada 31% 70	100	118 1/2	119 1/2	+ 1/2	+ 1/2	10.61
Canada 32% 69	100	119 1/2	120 1/2	+ 1/2	+ 1/2	10.56
Canada 33% 68	100	120 1/2	121 1/2	+ 1/2	+ 1/2	10.51
Canada 34% 67	100	121 1/2	122 1/2	+ 1/2	+ 1/2	10.46
Canada 35% 66	100	122 1/2	123 1/2	+ 1/2	+ 1/2	10.41
Canada 36% 65	100	123 1/2	124 1/2	+ 1/2	+ 1/2	10.36
Canada 37% 64	100	124 1/2	125 1/2	+ 1/2	+ 1/2	10.31
Canada 38% 63	100	125 1/2	126 1/2	+ 1/2	+ 1/2	10.26
Canada 39% 62	100	126 1/2	127 1/2	+ 1/2	+ 1/2	10.21
Canada 40% 61	100	127 1/2	128 1/2	+ 1/2	+ 1/2	10.16
Canada 41% 60	100	128 1/2	129 1/2	+ 1/2	+ 1/2	10.11
Canada 42% 59	100	129 1/2	130 1/2	+ 1/2	+ 1/2	10.06
Canada 43% 58	100	130 1/2	131 1/2	+ 1/2	+ 1/2	10.01
Canada 44% 57	100	131 1/2	132 1/2	+ 1/2	+ 1/2	9.96
Canada 45% 56	100	132 1/2	133 1/2	+ 1/2	+ 1/2	9.91
Canada 46% 55	100	133 1/2	134 1/2	+ 1/2	+ 1/2	9.86
Canada 47% 54	100	134 1/2	135 1/2	+ 1/2	+ 1/2	9.81
Canada 48% 53	100	135 1/2	136 1/2	+ 1/2	+ 1/2	9.76
Canada 49% 52	100	136 1/2	137 1/2	+ 1/2	+ 1/2	9.71
Canada 50% 51	100	137 1/2	138 1/2	+ 1/2	+ 1/2	9.66
Canada 51% 50	100	138 1/2	139 1/2	+ 1/2	+ 1/2	9.61
Canada 52% 49	100	139 1/2	140 1/2	+ 1/2	+ 1/2	9.56
Canada 53% 48	100	140 1/2	141 1/2	+ 1/2	+ 1/2	9.51
Canada 54% 47	100	141 1/2	142 1/2	+ 1/2	+ 1/2	9.46
Canada 55% 46	100	142 1/2	143 1/2	+ 1/2	+ 1/2	9.41
Canada 56% 45	100	143 1/2	144 1/2	+ 1/2	+ 1/2	9.36
Canada 57% 44	100	144 1/2	145 1/2	+ 1/2	+ 1/2	9.31
Canada 58% 43	100	145 1/2	146 1/2	+ 1/2	+ 1/2	9.26
Canada 59% 42	100	146 1/2	147 1/2	+ 1/2	+ 1/2	9.21
Canada 60% 41	100	147 1/2	148 1/2	+ 1/2	+ 1/2	9.16
Canada 61% 40	100	148 1/2	149 1/2	+ 1/2	+ 1/2	9.11
Canada 62% 39	100	149 1/2	150 1/2	+ 1/2	+ 1/2	9.06
Canada 63% 38	100	150 1/2	151 1/2	+ 1/2	+ 1/2	9.01
Canada 64% 37	100	151 1/2	152 1/2	+ 1/2	+ 1/2	8.96
Canada 65% 36	100	152 1/2	153 1/2	+ 1/2	+ 1/2	8.91
Canada 66% 35	100	153 1/2	154 1/2	+ 1/2	+ 1/2	8.86
Canada 67% 34	100	154 1/2	155 1/2	+ 1/2	+ 1/2	8.81
Canada 68% 33	100	155 1/2	156 1/2	+ 1/2	+ 1/2	8.76
Canada 69% 32	100	156 1/2	157 1/2	+ 1/2	+ 1/2	8.71
Canada 70% 31	100	157 1/2	158 1/2	+ 1/2	+ 1/2	8.66
Canada 71% 30	100	158 1/2	159 1/2	+ 1/2	+ 1/2	8.61
Canada 72% 29	100	159 1/2	160 1/2	+ 1/2	+ 1/2	8.56
Canada 73% 28	100	160 1/2	161 1/2	+ 1/2	+ 1/2	8.51
Canada 74% 27	100	161 1/2	162 1/2	+ 1/2	+ 1/2	8.46
Canada 75% 26	100	162 1/2	163 1/2	+ 1/2	+ 1/2	8.41
Canada 76% 25	100	163 1/2	164 1/2	+ 1/2	+ 1/2	8.36
Canada 77% 24	100	164 1/2	165 1/2	+ 1/2	+ 1/2	8.31
Canada 78% 23	100	165 1/2	166 1/2	+ 1/2	+ 1/2	8.26
Canada 79% 22	100	166 1/2	167 1/2	+ 1/2	+ 1/2	8.21
Canada 80% 21	100	167 1/2	168 1/2	+ 1/2	+ 1/2	8.16
Canada 81% 20	100	168 1/2	169 1/2	+ 1/2	+ 1/2	8.11
Canada 82% 19	100	169 1/2	170 1/2	+ 1/2	+ 1/2	8.06
Canada 83% 18	100	170 1/2	171 1/2	+ 1/2	+ 1/2	8.01
Canada 84% 17	100	171 1/2	172 1/2	+ 1/2	+ 1/2	7.96
Canada 85% 16	100	172 1/2	173 1/2	+ 1/2	+ 1/2	7.91
Canada 86% 15	100	173 1/2	174 1/2	+ 1/2	+ 1/2	7.86
Canada 87% 14	100	174 1/2	175 1/2	+ 1/2	+ 1/2	7.81
Canada 88% 13	100	175 1/2	176 1/2	+ 1/2	+ 1/2	7.76
Canada 89% 12	100	176 1/2	177 1/2	+ 1/2	+ 1/2	7.71
Canada 90% 11	100	177 1/2	178 1/2	+ 1/2	+ 1/2	7.66
Canada 91% 10	100	178 1/2	179 1/2	+ 1/2	+ 1/2	7.61
Canada 92% 9	100	179 1/2	180 1/2	+ 1/2	+ 1/2	7.56
Canada 93% 8	100	180 1/2	181 1/2	+ 1/2	+ 1/2	7.51
Canada 94% 7	100	181 1/2	182 1/2	+ 1/2	+ 1/2	7.46
Canada 95% 6	100	182 1/2	183 1/2	+ 1/2	+ 1/2	7.41
Canada 96% 5	100	183 1/2	184 1/2	+ 1/2	+ 1/2	7.36
Canada 97% 4	100	184 1/2	185 1/2	+ 1/2	+ 1/2	7.31
Canada 98% 3	100	185 1/2	186 1/2	+ 1/2	+ 1/2	7.26
Canada 99% 2	100	186 1/2	187 1/2	+ 1/2	+ 1/2	7.21
Canada 100% 1	100	187 1/2	188 1/2	+ 1/2	+ 1/2	7.16

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Week	Yield
Finland Republic 8% 90	15	100 1/2	101 1/2	+ 1/2	+ 1/2	6.58
Italy 11% 85	25	98 1/2	99 1/2	+ 1/2	+ 1/2	7.21
Italy 12% 84	10	100 1/2	101 1/2	+ 1/2	+ 1/2	6.53
Italy 13% 83	10	101 1/2	102 1/2	+ 1/2	+ 1/2	6.50
Italy 14% 82	25	100 1/2	101 1/2	+ 1/2	+ 1/2	6.52
Average price change On day + 0 1/2 on week + 0 1/2						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Week	Yield
Australia Com 12% 90SA	125	101 1/2	102 1/2	+ 1/2	+ 1/2	12.21
Canada Aust 13% 85CA	40	101 1/2	102 1/2	+ 1/2	+ 1/2	12.20



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## INTERNATIONAL COMPANIES and FINANCE

Lachlan Drummond on a three-way battle for Australian retail market share

## Coles bid for Myer checks Woolworths

G. J. COLES' A\$970m (US\$665m) takeover bid for Myer Emporium—the biggest ever launched in Australia—accurately reflects what is at stake: an unassailable lead in a retailing market that is already highly concentrated.

The boldness of Coles' thrust also suggests, however, that an early resolution of its bid is less likely than a defensive stand-off between the giants of the Australian retailing business. Such a result would represent an acceptable second prize for Coles—provided it could ensure that Myer did not move into a merger with Woolworths, its rival super-market chain.

The defensive overtones of Coles' offer for Myer were clearly stated when the bid was announced last week: Coles is unwilling to be eclipsed by a combination of Myer and Woolworths. These two groups have been talking for some 18 months about possible ways of rationalising or exchanging various parts of their respective businesses. According to Myer, the talks have included the prospect of either company bidding for the other. Woolworths, meanwhile, has confined its comments to agreeing that talks on rationalisation were continuing.

Putting together Woolworths and Myer would create a new leader for the Australian re-

tall scene with total sales for the year to January 31, 1984 of A\$7bn, or 15 per cent of total retail sales, with Woolworths accounting for A\$3.8bn.

Coles sales during the same 12 months were only A\$5.8bn although combining Coles with Myer, which would create a group with A\$9bn in sales, would be an even more devastating blow to Woolworths.

The latest turn in the battle for control of the retail dollar coincides with a recovery in consumer spending after almost four years of decline.

In addition, economic and demographic conditions appear likely to bring a further increase in the relative importance of discount retailing, which has provided most of the industry's growth over the last decade.

**Last rationalisation**

Alterations to trading hours and the introduction of electronic funds transfer at the point of sale (EFTPOS) systems are other emerging features of the Australian retail scene which, according to a recent study of the sector by Bain & Co, the Sydney stockbrokers, are likely to benefit the department and chain store groups.

The current three-way manoeuvring promises to be the last round of rationalisation in the industry. Coles, Woolworths, Myer, and the David Jones group already account together

for some 30 per cent of total retail sales. Only in the grocery retailing area do they face any concerted competition.

The most recent wave of rationalisation began two years ago when the Myer group bought for A\$230m the Grace Bros Holdings department store chain in the state of New South Wales, though it did so only after a 12 month stand-off with David Jones, Waltons Bond, and Woolworths, the other major shareholders.

That takeover was precipitated in 1983 by Woolworths' bidding for Grace Bros, then withdrawing—a confused step which, however, revealed its ambitions to move further into the higher margin departmental store area. Woolworths, with 58 per cent of its sales from food, is by far the most dependent on food sales of the big four, although as the Bain research shows, its national share of branded grocery sales of 21.2 per cent still trails Coles by 1.6 percentage points.

Woolworths, which is unconnected to the U.S. or British groups of the same name, has pushed into specialist retailing in electronics and electrical goods as a means of developing higher margin growth. It is attacking with renewed vigour the discount department store area and is opening more of its Big "W" chain outlets.

This chain currently has

sales of some A\$400m, overshadowed both by the roughly A\$1.3bn of sales from Coles' comparable K mart operation and the A\$500m sales of the Myer group's Target chain.

It is the prospect of joining the Big "W" and Target stores that has occupied most of the talks between Woolworths and Myer in recent months, although in current circumstances the serious prospect remains of the two companies joining forces completely.

**Wayward performance**

For its part, as well as Target, Myer would contribute the only national department store chain, though it sells little food.

Such a combination would marry weakness and strength, although given the wayward profit performance of Myer in the past five years and the relative under-performance of Woolworths when set against Coles, there are natural doubts about the ability of a Myer-Woolworths grouping to capitalise fully on its advantages.

Coles, though, clearly has fewer doubts. Earlier this year it snared 10 per cent of Woolworths to ensure it a say, should any party seek to gain full control. Now it owns almost 20 per cent of Myer and is bidding for the remainder.

The company, and the investment community, meanwhile

have few doubts about Coles' ability to win full benefits from a combination with Myer.

Such confidence is backed up by its record of 20 per cent compound profit growth in the past decade and a doubling of market share to 13 per cent in seven years. Much of that growth has come on the back of its K mart operations, where in 1979 it bought out its U.S. partner—but took it in as a 20 per cent shareholder of Coles itself—and has since expanded from 40 outlets to 95.

So far Coles has received only negative signals from the Myer camp. The family, holding 32 per cent, has rejected the bid as too low while Mr Solomon Lew, a director and supplier to Myer, has bought a further one per cent to take his holding to 13 per cent.

Shares owned by the Grace family, with 3 per cent, various superannuation funds, and the Westfield property group (landlord to Myer, Coles and Woolworths, though particularly the former) with 13 per cent, mean the board has the backing of some 50 per cent of the equity.

The board therefore retains the whip hand, and control of Myer can change hands only if it so wishes. Its options are extensive and are currently being fully explored.

The market, meanwhile, is keeping the Myer share price above the A\$4 cash offer.

## Japan's securities houses forecast record profits

BY YOKO SHIBATA IN TOKYO

FINANCIAL liberalisation at home and abroad, together with continuing expansion of the Tokyo capital market, underlie forecasts of record profits in the year ending September by Japan's four leading securities houses.

Slowing commission income from equities business has been more than offset by that from bond market dealings, especially in U.S. Treasuries, and by the favourable performance of the investment trust sector.

Among the four houses, Nomura expects pre-tax income to rise 48 per cent to ¥200bn (\$833m) for the year; Daiwa forecasts a 53 per cent increase to ¥120bn; Nikko a 51 per cent increase to ¥100bn; and Yamaichi a 53 per cent increase to ¥100bn. The forecasts are provided by the securities companies' reports to the Ministry

of Finance on their nine-month earnings.

The four houses' combined income from stock exchange commissions dropped markedly between the first and second quarters of the calendar year, partly reflecting a 9 per cent decline in the volume of share transactions on the Tokyo stock exchange.

The figures also indicate that dealings in foreign bonds, primarily U.S. Treasuries, reached anywhere between 30 and 40 per cent of the securities houses' total bond transactions in the April-June quarter.

This trend appears to be the result of wider spreads on U.S. government bond yields than on domestic bonds—a development which the securities houses blame on the Japanese banks' more active participation in the domestic bond market, which has narrowed spreads.

## ACM gives the go-ahead for Westonia gold mine

BY KENNETH MARSTON, MINING EDITOR

AUSTRALIAN Consolidated Minerals has given the go-ahead for another small gold mine, the Westonia project situated 280 km east of Perth in Western Australia. The estimated production cost of A\$13m (\$6.6m or U.S.\$9.2m) is being funded under a facility arranged by European Banking of London.

The open-pit property is expected to be in production by next May and ACM estimates that it will produce 183,000 oz of gold in the first four years of operation, working on an average gold recovery grade of 1.13g per tonne of ore.

Ore reserves have been upgraded to an estimated 2.82m tonnes, giving a mine life of some six years. ACM expects to find additional ore in the drilling of adjacent areas where mineralisation is open.

Bridge Oil, the Australian

energy company which also operates the Aredor diamond mining concession in Guinea, has raised its stake in National Oil from 19 per cent to 35.3 per cent and has raised its takeover offer from 70 cents to 80 cents a share, or financial staff writes.

Bridge launched its original offer in early May for National, an exploration company with onshore permits in Queensland, Victoria, and Western Australia. National directors rejected the offer, which valued the whole company at around A\$17.5m, as "grossly inadequate."

In a statement issued yesterday, Bridge said that its offer was no longer subject to the requirement of 90 per cent minimum acceptance. This was because Bridge had secured more than 20 per cent of National's shares before issuing its formal offer documentation.

## JAPANESE COMPANY RESULTS

FANUC NUMERICAL CONTROL SYSTEMS				MITSUBISHI METAL COPPER SMELTER				NIPPON LIGHT METAL ALUMINIUM SMELTER				NIPPON SHINPAN CONSUMER FINANCE			
Year to	Mar '85	Mar '84	Y	Year to	Mar '85	Mar '84	Y	Year to	Mar '85	Mar '84	Y	Year to	Mar '85	Mar '84	Y
Revenues (bn)	145.7	117.3	Y	Revenues (bn)	557.83	464.04	Y	Revenues (bn)	440.92	412.57	Y	Revenues (bn)	178.08	154.35	Y
Net profits (bn)	26.25	18.78	Y	Pre-tax profits (bn)	20.34	120.2	Y	Net profits (bn)	11.78	21.73	Y	Net profits (bn)	8.88	8.87	Y
Net per share	234.25	223.25	Y	Net profits (bn)	6.19	4.88	Y	Net per share	1.12	2.46	Y	Net per share	36.84	41.95	Y
CONSOLIDATED				CONSOLIDATED				CONSOLIDATED				CONSOLIDATED			
FUJII ELECTRIC ELECTRIC MACHINERY MAKER				MITSUBISHI RAYON ACRYLIC FIBRE MAKER				NIPPON MINING				MISHIO IWAI TRADING HOUSE			
Year to	Mar '85	Mar '84	Y	Year to	Mar '85	Mar '84	Y	Year to	Mar '85	Mar '84	Y	Year to	Mar '85	Mar '84	Y
Revenues (bn)	507.7	470.2	Y	Revenues (bn)	310.2	311.8	Y	Revenues (bn)	1,272	1,314	Y	Revenues (bn)	8,203	8,303	Y
Net profits (bn)	8.3	5.48	Y	Net profits (bn)	5.53	3.18	Y	Net profits (bn)	4.12	0.28	Y	Net profits (bn)	20.53	13.8	Y
Net per share	17.24	11.15	Y	Net per share	12.08	8.31	Y	Net per share	5.31	3.39	Y	Net per share	10.63	5.67	Y
CONSOLIDATED				CONSOLIDATED				CONSOLIDATED				CONSOLIDATED			
FUJISAWA PHARMACEUTICAL				GENERAL SEIKYU OIL REFINER											
Year to	Mar '85	Mar '84	Y	Year to	Mar '85	Mar '84	Y								
Revenues (bn)	188.84	208.49	Y	Revenues (bn)	728	758	Y								
Net profits (bn)	5.73	10.98	Y	Net profits (bn)	63	7.15	Y								
Net per share	21.52	44.55	Y	Net per share	2.73	63.44	Y								
CONSOLIDATED				CONSOLIDATED											

All of these securities having been sold, this announcement appears as a matter of record only.

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Morgan Stanley &amp; Co. Incorporated

Nomura Securities International, Inc.

Swiss Bank Corporation International Securities Inc.

## The Republic of Italy U.S.\$500,000,000 Floating Rate Notes due 2005

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from 24 July, 1985 to 27 August, 1985, the Notes will carry an interest rate of 8½% per annum. The interest payable on the relevant interest payment date, 27 August, 1985 will be US\$77.33 per US\$10,000 nominal amount and will be paid only through Cedit S.A. and Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euroclear System, in accordance with the terms of the Temporary Global Note.

24 July, 1985.  
The Chase Manhattan Bank, N.A.  
London, Agent Bank.



## The Republic of Italy US \$300,000,000 Floating Rate Notes due 1997

Holders of Notes of the above issue are hereby notified that for the first Interest Sub-Period from 25th July, 1985 to 27th August, 1985 the following will apply:

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- Rate of Interest for Sub-Period: 8½% per annum

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Interest Amount per U.S.\$100,000 Note due 24th October 1985	U.S.\$2,140.28

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## INTL: COMPANIES &amp; FINANCE

## Legacy of political interference weighs heavily on ENI recovery

BY JAMES BUXTON IN ROME

ENI, the Italian state energy group, is in hot water. Press and politicians in Italy are blaming it for sending the lira into a spin on Friday by an ill-timed purchase of \$125m.

Until a year or two ago ENI was almost permanently at the centre of controversy. But all that changed when Professor Franco Reviglio, took over in March 1983. He has succeeded not only in getting ENI's losses down 16 fold in a year, to only L88bn in 1984 on sales of L45,000bn but has also kept ENI out of political trouble.

He had, therefore, done exactly what was expected of him when he took over the chairmanship in March 1983. In the preceding five years ENI had had six chairmen, its name was sullied by involvement in several major scandals and in the years 1983 and 1984 it lost more than L3,000bn.

Yet several years' hard struggle still lie ahead of the group, which Sig Reviglio likes to call "the eighth big sister" on the basis of its 500m tonnes of recoverable oil reserves.

It is particularly threatened by competition from Opec countries in both petroleum products and commodity chemicals.

It has to grapple with an Italian petroleum products market in which hardly any company has made money for years.

It is also obliged to wrestle with the consequences of past decisions by politicians who forced ENI to take over bankrupt chemical operations, heavily loss-making tile manufacturers and set up a stock of costly nuclear fuel for power stations which they largely failed to get built.

But Sig Reviglio, who belongs to the Socialist party and is an economist by profession, is in no doubt how ENI can meet these challenges. ENI's role, he says, "is to be a group of enterprises that operate with the standard of a private company but which must attain certain objectives of a national kind." Those objectives include being the main supplier of energy to a country notoriously lacking in energy resources, and to give high priority to the problems of Italy's balance of payments.

These objectives make the achievement of high profits in the near future unlikely, but the turnaround so far has been striking, with losses cut from L1,496bn in 1983 to last year's

L88bn. This was achieved in three main ways.

First, ENI's oil subsidiary AGIP moved away from an excessive and costly dependence on long term oil supply contracts, which had caused enormous stock losses in the past, and bought more crude on the spot market.

Second, the chemicals sector, grouped under Enichem, benefited from both an upturn in demand and from better management, and cut losses from L704bn to L180bn.

Third, ENI restructured its immense debt of L18,000bn to reduce dependence on the dollar and obtain better borrowing terms. Refinancing of much of the dollar part of the debt produced a reduction last year in foreign exchange losses of L580bn—an improvement not far short of the jump of L834bn in operating profits which totalled L2,798bn.

ENI can be divided into roughly four parts. There is the energy division, grouped around Agip, where sales last year totalled L34,736bn—nearly 77 per cent of the total group turnover. Then there is the chemicals division, centred on Enichem, with sales last year of L16,192bn.

Next there is a cluster of strong companies which operate engineering—Saipem, in drilling and pipelaying, Snamprogetti in plant engineering and contracting, and Nuovo Pignone, in turbines and compressors. Saipem was partially privatised last year by floating 20 per cent of its equity on the Milan bourse, some of it to foreign investors.

Finally there are what ENI calls the "sectors in crisis"—mining, textile machinery and textile making.

The energy sector's main task is to meet Italy's energy needs—and for this reason Agip is going against the trend of many major oil companies by stepping up exploration activities. Agip supplies oil and petroleum products, and also coal and gas. The latter is one of ENI's major sources of income, since in addition to importing foreign gas supplies it produces gas from Italy's own substantial gas fields, where much of the equipment is amortised and sells it at a price linked to the price of crude. This income, is worth about L2,000bn a year to ENI in cash flow.

Yet in meeting Italy's petroleum needs ENI loses money—



Franco Reviglio: At work on a striking turnaround.

about L1,000bn last year. At the upstream end of the process ENI uses ageing refining capacity which is easily undercut by cheap products on offer from new refineries in the Arabian peninsula. Downstream, the Italian distribution system is riddled with restrictions which prevent almost every oil company from making money.

Sig Reviglio has allowed Agip to import products, and is slowly tackling the politically delicate problem of closing refining capacity. "Our refining capacity is still far higher than our needs, but there is a limit to how far we can cut, and we have to have capacity for strategic reasons."

It is in chemicals that Sig Reviglio is likely to face his greatest challenge and where he has spoken of having to make "frightening decisions." It is an area where the need to bolster Italy's balance of payments assumes top economic priority and where ENI intends to do nothing less than create a new Italian chemical industry.

Enichem consists mainly of the relics of other failed chemical operations which the State was obliged to take on in the early 1980s and 90 per cent of operations are in commodity chemicals—low value-added products which are most vulnerable to competition from Saudi Arabia, like ethylene, PVC and synthetic rubber.

Although Enichem's losses declined dramatically in 1984, this was largely because of

external factors and partly to greater efficiency. Value added did, however, rise to 20 per cent compared with 11 per cent in 1983, though Sig Reviglio admits that value added is declining this year.

In the next five years Enichem plans to make big cuts in the proportion of activities made up by commodity chemicals and to concentrate on high value added products, mainly through joint ventures with multi-national companies. "This requires a real revolution, cultural, economic, financial and human," says Sig Reviglio. "We need different men and different experience. We will be investing about L1,000bn a year."

Where will the money come from? "We have a strong capacity to generate cash flow which we can invest. The rest will come from our shareholders," in other words, the Government.

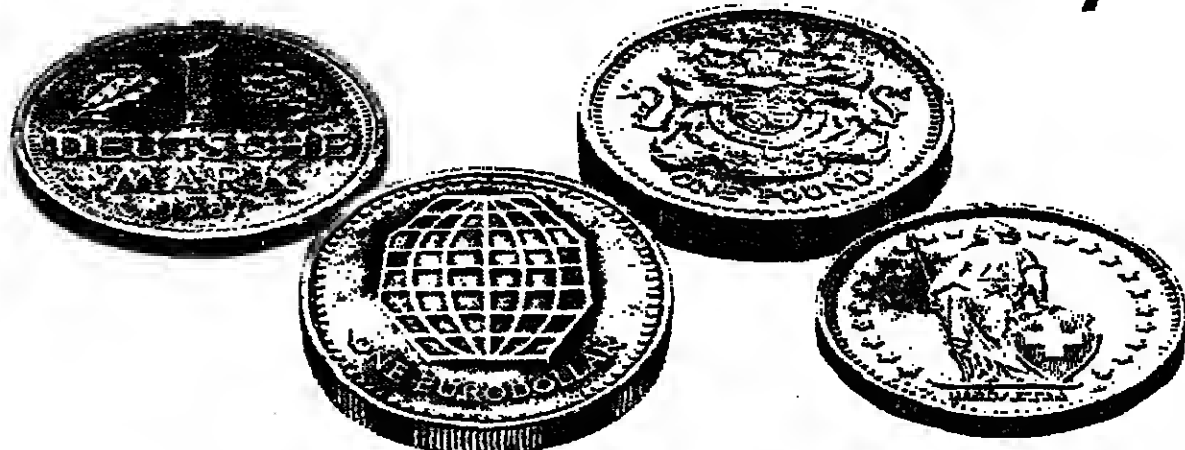
"ENI does produce wealth now, but it is burnt up by the sectors in crisis," says Sig Reviglio. Nowhere in the ENI organisation are the losses more glaring than in the textile and miners' sectors. The textile sector, headed by Lanerossi, last year scored losses that amounted to 65 per cent of turnover—L125bn out of L192bn.

In the mineral sector, headed by Samim, losses were L356bn on sales of L332bn. In both cases losses were substantially worse than in 1983, but Samim did experience a 65 per cent jump in sales, thanks in part to improved metals prices.

These are probably the worst corners of the ENI empire, sectors which have little logical place in an energy company, but which were forced on ENI by politicians who could not stomach the loss of jobs that any serious rationalisation would require. Under Sig Reviglio a start has at last been made on restructuring Lanerossi, but so deep-seated are the problems that it is reckoned it will take another three to four years to achieve results.

Eventually Sig Reviglio would like to be able to consider selling off these businesses, in the way that IRI has done with some of its peripheral operations. "There is no veto of an ideological kind on privatisation, but you can't sell businesses that haven't been revived," he says.

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Banque Bruxelles Lambert S.A.

Banque Indosuez

Banque Paribas Capital Markets

Baring Brothers &amp; Co., Limited

Chase Manhattan Capital Markets Group

Citicorp Investment Bank Limited

Commerzbank Aktiengesellschaft

County Bank Limited

Crédit Commercial de France

Crédit Lyonnais

Deutsche Bank Aktiengesellschaft

Dresdner Bank Aktiengesellschaft

First Chicago Limited

Goldman Sachs International Corp.

Hill Samuel &amp; Co. Limited

Kredietbank International Group

Lloyds Bank International Limited

Manufacturers Hanover Limited

Merrill Lynch Capital Markets

Morgan Stanley International

Orion Royal Bank Limited

Shearson Lehman Brothers International

Swiss Bank Corporation International Limited Union Bank of Switzerland (Securities) Limited

S. G. Warburg &amp; Co. Ltd.



## UK COMPANY NEWS

## Throgmorton Tst. in £115m bid

BY CHARLES BATCHELOR

Throgmorton Trust, the London-based investment trust, yesterday launched its second attack over the Scottish border in just over two years with a £115m takeover bid for Scottish Northern Investment Trust (SNIT) of Aberdeen.

SNIT made a muted response to the Throgmorton approach saying it was "considering carefully this proposed offer and also investigating potential alternatives." It advised its shareholders to take no action.

Throgmorton caused a storm in March 1983 when it launched a successful £52m takeover bid—the first contested bid between two investment trusts—for Pentland Investment Trust. Scottish money managers complained that their financial independence was being undermined by financial groups from south of the border.

However, Mr Fred Dalgaroo, investment manager of SNIT, said he did not think his unit would use that argument if it rejected the Throgmorton approach.

"That is a card that should only be played in particular circumstances," he said. "It is difficult for one investment trust to argue that it has a strategic importance for Scotland. But if there were both English and Scottish bids it might be preferred."

able to go for the Scottish bid on logistical grounds."

The Scottish company first attracted the attention of would-be bidders when it announced in May that its investment managers would be joining Stanacastle Assets, a fast-growing Edinburgh management group run by Mr Willie Forsyth.

SNIT is the only remaining investment trust to be managed from a number of financial groups from both sides of the border.

Throgmorton said it held amiable discussions with SNIT over the past few days but the knowledge that several approaches had been made to SNIT had prompted Throgmorton to announce its bid.

Mr Tristan Hillgarth, a director of Throgmorton Investment Management, said he hoped to reach agreement with SNIT on the bid.

Throgmorton is making a part-share, part-cash offer to be priced according to a formula relating to the net asset value of both companies' shares on the day the offer goes unconditional. For every 100 SNIT shares Throgmorton is offering an amount in cash equal to 50 per cent of SNIT's asset value and a number of new Throgmorton



Mr J. A. Yeoman, chairman of Scottish Northern

shares to be calculated by dividing 106 per cent of 50 per cent of the SNIT asset value attributable to these shares by the Throgmorton asset value.

On the basis of estimates of net asset values on the eve of the bid announcement the offer would result in a holder of 100 SNIT shares receiving about £81 in cash, including a special in-

terim dividend of 2p for each SNIT share, and 30.5 new Throgmorton shares.

This would value each SNIT ordinary share at about 150p and SNIT's total share capital at £115m. Throgmorton already owns 1.25m SNIT shares, equivalent to 1.6 per cent of the equity. Throgmorton had net asset value per share of 307.4p at its interim reporting date of May 31, an increase of 88 per cent in the year, and total net assets of £172m. SNIT had net assets at March 31, its year-end, of about £127m.

Both companies specialise in investments in smaller companies. Throgmorton had 84 per cent of its portfolio invested in the UK in November 1984 with a further 14 per cent invested in the U.S. SNIT had 71 per cent of its portfolio in the UK in March 1985 and 20 per cent in the U.S.

Throgmorton said it would take on the SNIT management team if it bid succeeds and it would open an office in Scotland. In addition, two of SNIT's executive directors would be invited to join the Throgmorton board.

Throgmorton is being advised by Charterhouse Jespet, the merchant bank.

SNIT's shares rose 3p to 142p while Throgmorton fell 3p to 225p.

See Lex

## Forshaw's makes cash call for £3.2m

By Stefan Wagstyl

Forshaw's Burtonwood Brewery, which last year failed in a £13.4m cash bid for Border Breweries, has launched a £3.24m rights issue to help fund the redevelopment of its brewery.

The family-controlled company is offering two shares for every nine held at 360p each. The group's shares were unchanged at 440p on the stock market yesterday.

Forshaw's plans to invest the funds first in a new kepping plant at its brewery near Warrington and then to extend the bottling stores. Later it intends to invest in renewing plant in the brewery itself, which was founded in 1867.

Mr Graeme Dutton-Forshaw, chairman and chief executive, said: "We have got a fairly old brewery and we have got to start renewing it now."

Since Mr Dutton-Forshaw took control in 1983, the group has undertaken a busy programme of reorganisation and renovation. Some £10m is being spent upgrading the company's public houses and hotels.

Last month the company announced pre-tax profits for the year to the end of March were up from £2.36m to £2.8m on a turnover ahead from £22m to £23.3m.

Mr Dutton-Forshaw said that the company was still looking actively for acquisitions.

The rights issue has been underwritten by merchant bank Samuel Montagu. The Dutton-Forshaw, Gilchrist and Almond families who together speak for some 52 per cent of the equity are not taking up their entitlements in full. As a result their stakes are expected to fall to about 45 per cent.

## Guinness gets green light in £290m bid for Bells

THE £290m bid by Guinness for Arthur Bell, the Scotch whisky distiller, is not to be referred to the Monopolies and Mergers Commission it was announced yesterday by the Department of Trade and Industry.

The decision not to refer the bid comes after intensive parliamentary lobbying by both Guinness and Bell.

Scottish MPs said yesterday that the green light for Guinness marked the end of the "tartan ring fence"—the Government's past tendency to refer takeovers involving Scottish companies to the Monopolies Commission on grounds of regional policy as well as competition.

Mr Raymond Miquel, chairman of Bell, said that while he was concerned at the Government's decision, his company was confident that it would fight off the bid as it was not in its interests or that of its shareholders.

Mr Ernest Saunders, chief executive of Guinness, said: "This clearance recognises the unique credentials of Guinness as a partner for Bells and our ability to contribute to the development of Scotch whisky. It is increasingly recognised by investors that our offer is a full and fair price. We said there were no credible arguments to justify an increased offer for Bell."

Last week Guinness announced that by the first closing date of its bid, acceptances had been received from the holders of 5.04 per cent of Bell's shares.

Scottish nationalists yesterday accused Bell of being half-

DIVIDENDS ANNOUNCED					
	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
AAH Holdings	4.15	Oct 14	3.75	6.79	4.5
Meldrum Inv	int	Sept 6	1.5	2.95	2.95
Ocean Wilsons	2.2	Aug 23	1.5	2.95	2.95
Alfred Freedy	2.58	Oct 1	2.75	3.88	3.5

Dividends shown pence per share net except where otherwise stated.

† On capital increased by rights and/or acquisition issues.

hearted in its lobbying efforts.

Mr Gordon Wilson, one of the two Scottish National Party MPs at Westminster, said: "There was no attempt to mollify the Scottish lobby as occurred in Hiram Walker's bid for Highland Distillers in 1980 or the bids for the Royal Bank of Scotland in 1981. The Department of Trade and Industry decision opens the door for international predators to swallow up even more independent Scottish companies."

In the last five years there have been three Monopolies Commission Reports on takeover bids for Scottish companies. These were Hiram Walker of Canada's bid for Highland Distillers, the bids for the Royal Bank of Scotland by the Hongkong and Shanghai Banking Corporation, and by Standard Chartered Bank; and the Chartered Consolidated bid for Anderson Strathclyde.

However, last year Mr Norman

Tebbit, the Secretary of State for Industry, made a Mergers Policy statement to which he said the issue of competition was paramount in any referral.

Guinness, in its offer document for Bell, attempted to assuage Scottish nationalist fears by saying that the company would continue to be managed from Perth if its bid was successful. Mr Saunders has spent a considerable time in Scotland since the bid was launched, and has given assurances about job security at the company, which employs nearly 2,000 people in its whisky, glass, transport and hotels activities. Mr Miquel, however, has warned of the adverse effect on employment should Guinness be successful in its bid.

Guinness is offering nine of its shares for every 10 of Bell's, with a cash alternative of 225p. The Guinness share price closed last night down 6p at 244p, while Bell at 219p. Bell closed up 10p at 245p.

See Lex

## Yellowhammer heads for Unlisted market

BY LUCY KELLAWAY

Yellowhammer, the third advertising or marketing company to join the USM in the last fortnight, is being brought to market by James Capel, who are placing 2.6m shares at 110p each.

The bulk of the shares in the placing are being sold by the company's chairman and managing director, Mr Jon Summerill and the creative director, Mr Jeremy Pemberton. The 360,000 new shares will raise about £290,000 after expenses for the company, which at the placing price is valued at £11.4m.

Yellowhammer is an advertising agency with a client list including such names as Barclays, British Telecom, Mitsubishi and the Tatler.

The company prides itself on its reputation for creativity.

Barclays Bank accounted for 41 per cent of group turnover last year and a further 12 per cent was taken up by Barclay card. However, the company expects this dependence to drop sharply this year and next as the importance of other customers grows. British Telecom, Trust-

house Forte and IPC are all significant customers which have been taken on in the last year.

About three-quarters of agency turnover comes from "above the line" media advertising, with the remainder from design, sales promotion and other "below the line" activities.

Alongside the agency, Yellowhammer also runs a studio which does artwork and provides other production services both to Yellowhammer and to other advertising agencies. The studio, which is organised into a separate operating subsidiary

last year accounted for about 15 per cent of group profits.

Yellowhammer's turnover and profits have grown steadily over the last five years despite a hiccup in 1982. Last year, pre-tax profits were £779,000 and the company is forecasting a figure for the year to March 1986 of not less than £1,150,000.

That would put the shares on a prospective earnings multiple of 17 after a 42 per cent tax rate. On a forecast dividend of 1.6p, the shares yield 2.1 per cent at the placing price. Dealings start next Monday.

This announcement appears as a matter of record only.

## Enterprise Oil

£250,000,000  
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J. Henry Schroder Wagg & Co. Limited

Co-Lead Managers

Barclays Bank PLC • National Westminster Bank PLC

Lloyds Bank Plc • Midland Bank plc

Managers

Bank of America NT&SA • Bank of Montreal • Bankers Trust International Limited

Banque Indosuez • Banque Nationale de Paris p.l.c. • Chemical Bank

Credit Lyonnais • Deutsche Bank Aktiengesellschaft, London Branch • First Interstate Bank

Manufacturers Hanover Trust Company • Orion Royal Bank Limited

Societe Generale, London Branch • The Sumitomo Bank, Limited

Swiss Bank Corporation International Limited

Co-Managers

Amsterdam-Rotterdam Bank N.V., London Branch • Bank of Scotland

The Industrial Bank of Japan, Limited • Marine Midland Bank, N.A.

Nordic Bank PLC • The Royal Bank of Scotland plc

Tender Panel Members

Amro International Limited • Bankers Trust International Limited • Bank of America International Limited

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Barclays Bank PLC • Chemical Bank International Limited • Citicorp Investment Bank Limited

County Bank Limited • Credit Lyonnais • Credit Suisse First Boston Limited

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Hambros Bank Limited • J. Henry Schroder Wagg & Co. Limited • IBI International Limited

Kleinwort, Benson Limited • Lloyds Bank plc • Manufacturers Hanover Limited

Merrill Lynch Capital Markets • Midland Bank plc • Morgan Stanley International

Nordic Bank plc • The Royal Bank of Canada • Salomon Brothers International Limited

Societe Generale • The Sumitomo Finance International • Swiss Bank Corporation

S.G. Warburg & Co. Ltd. • Wardley London Limited

CITICORP INVESTMENT BANK

Agent and Tender Panel Agent

CITIBANK

Engineering Bank

June 20, 1985

## Rowland Gaunt profits doubled

WITH BOTH the retailing and manufacturing sides of the group developing well, Rowland Gaunt has doubled its pre-tax profits in the six months to April 30 1985, from £30,000 to £60,000, although the comparable figures do not include any results of the parent company.

This Leeds-based clothing manufacturer and wholesaler reversed into two garment makers, Ben Brummel and Wiselouse, last August, and after having its listing suspended in April 1984 began trading on the USM last September.

The number of concessions operated by Wiselouse within major high street multiples has since doubled, and as a result it has increased both sales and profits.

Turnover amounted to £3.38m against £2.6m, and the directors

said that the results for the first half trading are most encouraging. There has been a further emphasis on the group towards retailing and distribution of boys' and young men's casual wear.

In view of the first half results and the sales trend in the second half so far, they are confident that profits for the year to end-October will be well ahead of the £228,000 last year. The board intends to recommend a final dividend.

In late May the group acquired Henry Barrie, a Manchester-based schoolwear retail business which in turn owns the minority interest in Barrie Schoolwear.

Beau Brummel's sales have shown an increase of more than 20 per cent compared to last

year, largely due to the significant increase in trouser production.

As a result of these developments, profits in the period were ahead of forecast. The board anticipates a further increase in the second half when sales profits are customarily higher for seasonal reasons.

The group has developed its computerised accounting controls and extended warehouse capacity in Leeds, which should generate increased profits.

After minorities adding £8,000 (£4,000) and a tax charge of £25,000 (nil), retained profits emerged higher at £41,000 against £34,000.

Stated net earnings per 25p share are lower at 1.44p (2.15p), calculated on 2,844m (1.56m) outstanding shares.

## Mills and Allen buys U.S. market researcher

BY DAVID GOODHART

THE FINANCIAL services group, Mills and Allen, later national, has acquired Nabscon/National Scanning Services Inc, the largest collector of retail scanning information in the U.S.

The deal, through its U.S. market research subsidiary, Mediemark Research Inc, was described as a modest investment by Mr Clive Hollick, managing director. The price is understood to have been less than \$6m (£3.55m).

Nabscon, which, according to Mills and Allen is breaking even, collects national supermarket sales data from checkout scanners in a national panel of 800 supermarkets which pick up product brand information from the bar codes on the products.

It has been going through a development stage for the past five years. Mills and Allen believes it is in a position to

improve its share of the 250m dollar market for retail research. At present Nabscon holds less than 1 per cent.

Mr Hollick said that Nabscon could provide a uniquely detailed store-by-store analysis every week "which amounts to a very powerful tool for marketing." Present clients include Procter and Gamble and Pepsi-Cola.

Mills and Allen's share price rose 5p to close at 320p.

## Yearlings

The interest rate for this week's issue of local authority bonds is 11 1/2 per cent, down 1/4 of a percentage point from last week, and compares with 11 1/2 per cent a year ago. The bonds are issued at par and are redeemable on July 30th 1986.

## Chrysalis' debut better than expected

Dealings in Chrysalis Group, the record company that has come to market via a merger with MAM, yesterday got off to a slightly better than expected start with the shares opening at 170p, a 30p discount to the 200p offer price. They traded steadily throughout the day to close at 171p.

The offer had met with a very poor reception in the City, and nearly 85 per cent of the 4.3m shares were left with the underwriters. The price was fixed more than a month ago, since when the leisure sector has fallen by about 11 per cent, and the market had been expecting the shares to start trading at about 160p-165p.

One jobber described dealings yesterday as "very encouraging" and said "we had no problems in placing the stock."

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.



## YELLOWHAMMER PLC

(Incorporated in England No. 1395446)

PLACING BY  
JAMES CAPEL & CO.

of 2,580,000 Ordinary Shares of 5p each  
at 110p per share

## SHARE CAPITAL

Authorised

£650,000

Issued and now being

issued fully paid

£518,000

Yellowhammer plc is a holding company which, through its subsidiaries, is engaged in the advertising and marketing services industry.

Its main subsidiary, The Yellowhammer Advertising Company Limited, plans, conceives and executes TV and press advertising together with other promotional material for a wide range of clients.

Application has been made to the Council of The Stock Exchange for the whole of the issued share capital of the company to be admitted to the Unlisted Securities Market. A proportion of the shares being placed is available to the public through the market. It is emphasised that no application has been made for these securities to be admitted to listing.

Particulars of the company are available in the Exel Statistical Service and copies of such particulars may be obtained during usual business hours on any weekday (Saturdays and Bank Holidays excepted) up to and including 7 August 1985 from:-

James Capel & Co.,  
Winchester House,  
100 Old Broad Street,  
London EC2N 1BQ.

24 July 1985.

Yellowhammer plc,  
46 Wigmore Street,  
London W1H 9DE



## UK COMPANY NEWS

## AAH up despite miners' strike

STRONG performances by solid fuel, pharmaceutical supplies and road haulage enabled AAH Holdings to meet its profit forecast for 1984-85 and lift its dividend for the sixteenth successive year. Although the miners' strike affected both the solid fuel and road haulage divisions, the group's pre-tax profits for the 12 months, to March 31, improved from £10.47m to £11.25m, an increase of 7.4 per cent.

In March, at the time of the 15m acquisition of Vestric, the Runcorn-based pharmaceutical wholesaler, the directors forecast that profits would be not less than £11m. Market analysts were also looking for profits at about that level.

As promised, shareholders are to receive a 10 per cent lift in their total dividend to 6.794p, the final being 4.126p net per 250 share.

No account of the results of Vestric were included in AAH's year-end figures. However, the company's performance has more than matched the forecast made at the time of purchase and despite the highly competitive nature of the industry, all of the group's pharmaceutical businesses have made an excellent start to the current year.

Mr Bill Pybus, the chairman, says the 1984-85 year saw a major step in the group's diversification programme through the acquisition of Vestric. AAH is now the biggest wholesale pharmaceutical distributor in the UK.

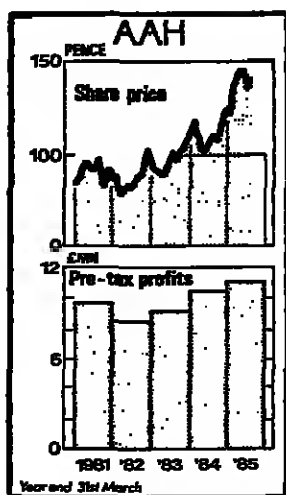
Group turnover for the year under review edged ahead from £506.6m to £521.1m. Trading profits improved to £12.54m (£12.49m) and broke down by division as to fuel distribution—solid fuel £8.88m (£8.22m) and oil £0.53m (£0.39m)—builders' supplies £1.58m (£2.42m), pharmaceutical supplies £2.01m (£1.25m), road haulage £1.00m (£0.79m), environmental services £0.91m (£0.95m) and engineering and miscellaneous £76,000 (£10,000).

Fuel distribution accounted for 51.5 (49.8) per cent of group trading profits and pharmaceutical supplies for 15.5 (10) per cent.

The miners' strike affected trading in solid fuels throughout the year, although limited supplies of coal from the NCB Midlands collieries, together with imported fuels, helped to maintain a service to the majority of customers. Although sales were down by around 6.6 per cent this was mainly due to the non-availability of supplies for the export market.

Mr Pybus says the resurgence of domestic demand in the final quarter, however, aided by much colder weather, enabled the inland solid fuel division to finish very strongly and help lift the division's overall trading profits by 7.4 per cent.

Builders' merchandising was buoyant in the early part of the year but suffered when VAT became chargeable on building



improvements on June 1. The merchandising companies in Scotland and the Midlands fared marginally better but the miners' strike directly affected trading in the Northern region and South Wales.

Mr Pybus says the transport companies overall produced outstanding results and the pharmaceutical division met the challenge of unrelenting price competition in the wholesale market and produced substantially better results overall. Group trading in the first

quarter of 1985-86 has been encouraging and the chairman is confident that future reports will demonstrate the success of recent developments.

## • comment

AAH Holdings suffered far less from the miners' strike than either the company or the City had expected. The company was able to make good shortfalls in NCB coal supplies by turning to imports to take advantage of the winter's late cold spell. Road haulage profits meanwhile were buoyed by moving coal to the power stations, winning contracts at the expense of British Rail which the group has been able to retain after the end of the strike. Only the builders' supplies business, where the NCB is a major customer, suffered badly from the strike, making a loss in the fourth quarter. For the current year, however, the market's main interest is in the newly-expanded pharmaceutical division, which has become the UK's largest pharmaceutical distributor in the wake of the Vestric acquisition. This purchase should be the main reason behind a strong advance at AAH this year perhaps to £16m pre-tax. At 139p, up 5p, the shares are up with evocative trading on a multiple of about 9 (39 per cent tax). But they are well protected from adversity in a difficult market by the 7 per cent yield.

## Reed Intl. profits up after first quarter

TRADING PROFITS of Reed International for the first three months to June were in line with budgets and ahead of the results for the equivalent period last year. Sir Alex Jarratt, the chairman, told the annual meeting.

These results reflected a good recovery in UK paper-making and had been achieved in spite of difficult trading conditions to the UK advertising market, which had affected the group's consumer magazines.

Sir Alex said it was far too early to make any predictions of the outcome for the current year. For the year ended March 31 1984 the group made record pre-tax profits of £107.5m (£98.4m) on turnover of £2.12bn (£2.04bn).

The chairman reaffirmed that following the actions taken by the group, there were unlikely to be any problem areas requiring major provision in the current year—a recurrent theme of the past. Also, Reed's financial situation was such as to give it ample elbow room to develop further both organically and by acquisition.

Sir Alex will be retiring from the company at the end of this month and he is to be succeeded by Mr Leslie Carpenter.

## Hampton Trust expands rapidly and profits soar

FOLLOWING a year of rapid growth, mainly by acquisition, Hampton Trust saw income grow by 24 times and pre-tax profits almost six times larger.

Gross trading income for the year to the end of March 1985, rose from £447,000 to £1.16m with pre-tax profit up from £119,000 to £677,000.

The company more than doubled its property investments from £7m at the beginning of the year to £17m at the year end. Of this growth £7.5m was by acquisitions and £2.5m by revaluations. The net asset value for the whole company grew by 73 per cent to 35.5p (20.7p).

In December last year the Australian mining interests were restructured through the formation of Mount Martin Gold Mines, in which Hampton holds a 50.6 per cent interest. The results include Australian rental and mining income to the date of the flotation and afterwards income was consolidated in the group accounts.

The mining income included royalties of £12,000 (£24,000) from the Mount Martin mine. Since April a new treatment plant has been in operation and

an increase is expected in royalties in the present year.

During the year the investment was increased to oil and gas wells in the U.S. through the participation in the drilling of 16 wells. The cost of three dry wells was written off to the year.

The remaining wells were completed, but only made a contribution in the latter part of the year. The company has a total of 19 wells in production.

Profits on trading activities was £901,000 (£270,000) and the pre-tax figure was struck after taking into account other income of £788,000 (£129,000) which was mainly profit from the sale of fixed assets and investments and interest received of £35,000.

In the present year Hampton has expanded its property portfolio by a further £1.7m. About 64 per cent of the company's interests are in shops, 13 per cent in offices and 22 per cent in industrial/commercial.

The directors say that net rental income will be £1.68m a year. That is expected to rise on a continuous basis throughout the next five years to £2.35m on present values.

## Crescent Japan raises net assets

Crescent Japan Investment Trust raised net asset value to 151p per 50p share as at June 30, 1985, against 143.5p a year earlier.

Earnings per share for the half year period, however, showed a fall from 0.42p to 0.31p. Pre-tax profits were down from £261,000 to £175,000, subject to tax of £70,000 (£121,000).

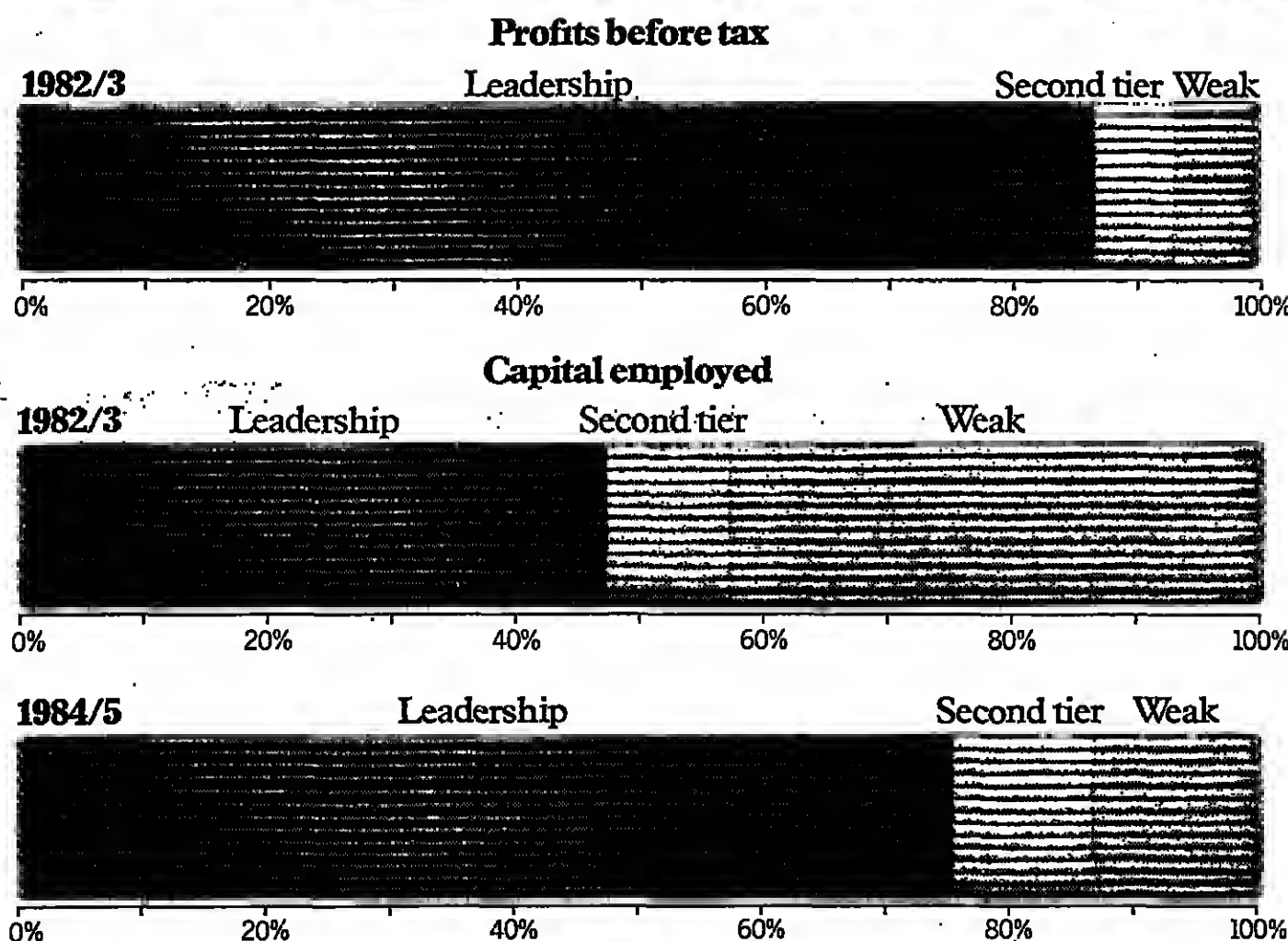
Investment income totalled £307,000 (£282,000) and interest receivable added £47,000 (£71,000). Administration expenses were similar at £173,000 (£172,000) and interest paid took £5,000 (nil).

## New Tokyo

New Tokyo Investment Trust's net asset value was ahead at 201p at the end of June 1985, against 192.1p before. Adjusted for the exercise in full of rights attached to warrants, the value was 198.6p (180.3p).

Earnings per 50p share for the six months were stated at 0.77p (0.44p). Pre-tax profits increased from £122,000 to £253,000, before tax of £104,000 (£81,000). Investment income more than doubled to £387,000 (£190,000).

## Service history



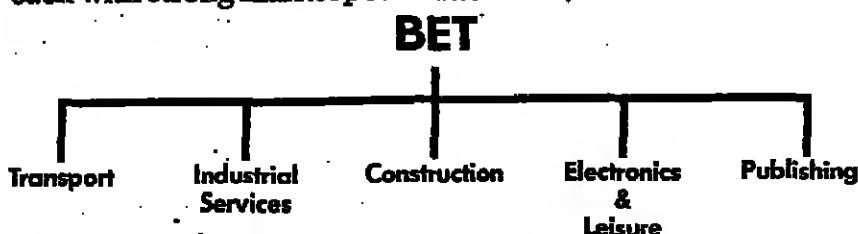
As the bars graphically illustrate, two years ago over 40% of BET's capital was invested in companies with weak market positions generating less than 10% of our profits. This compared with 87% of profits produced by those companies with market leadership which used less than 50% of shareholders' money.

The key to establishing and maintaining good margins, we believed, was to achieve a greater market share in our chosen sectors. The fact that we have done so with remarkable success can be seen from the third bar, showing 75% of our capital now invested in companies with market leadership. And it's from this position that profits have started growing.

We set about achieving this stronger company profile with a carefully planned three-stage strategy:

**1. We sold interests that didn't fit in, or had weak market share and poor growth potential.** We sold our North Sea oil interests, general investments and other companies not in our main market areas. So we sold Rediffusion's TV and VCR rental business due to its continuing decline in favour of TV and VCR purchase. And we sold Canadian Motorways which, in common with a number of smaller companies, had weak market share and low growth potential: altogether we sold 13 operations for a total of £236 million in the two years up to March 1985.

**2. We reorganised all the companies into five clearly defined sectors.** Ownership and management structures have been successfully rationalised into the following business sectors, each with strong market positions:



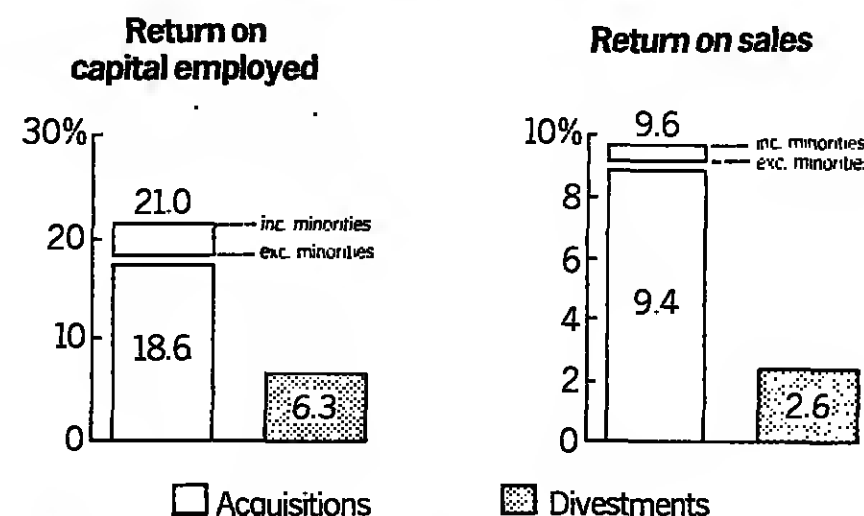
We have also bought out minority holdings in primary companies so that they are now wholly owned by us, and have created a more even balance of profits.

**3. We bought companies that were strategically important to our core businesses.** We spent £390 million on acquiring 15 companies with high growth potential, nine of which were in the USA to give us a more even geographical as well as business split. Many of the acquisitions were of small companies but all of them were complementary to our core businesses and increased our market shares and growth prospects.

The most recent and important acquisition, Initial, has enabled us to merge it with Advance and so enjoy cost savings while fighting back against alternatives to cabinet towels and creating a really strong competitor in several fast growing cleaning market sectors.

The success of these deals is seen in figures like these. The two charts below reveal that we have been acquiring successful companies and selling those which had no leadership potential.

## Acquisitions and divestments



## Now BET is organised for growth.

All this should answer the criticisms that led one newspaper to describe our restructuring as "a bewildering array of acquisitions and disposals with no apparent direction." Nothing could be further from the truth.

We haven't only succeeded in buying the right companies at the right price, we've achieved a greater degree of market leadership right across the board. Now we're putting all our efforts into doing what we're best at, and making our money work harder.

We are now truly organised for growth and we confidently look forward to improvements where it really matters—in long term earnings growth.

**BET**  
putting experience  
to good service

For a copy of our annual report & 1984/85 results, write to Neil Ryder, BET PLC, Stratton House, Piccadilly, London W1X 6AS.





## AECI LIMITED

(Incorporated in the Republic of South Africa Reg. no. 04/02590/06)

### INTERIM REPORT FOR THE HALF-YEAR ENDED 30 JUNE 1985

Turnover up 14% to R1,081 million  
Net trading income down 1% to R106 million  
Earnings per Ordinary share down 6% to 33 cents  
Interim ordinary dividend of 24 cents a share maintained

#### Trading Results

The directors announce the unaudited trading results of the Group for the six months ended 30 June 1985 as follows:

Year	1984	First half R millions	1985	First half R millions
2 017	948	Turnover (1)	1 081	
235	107	Net trading income	106	
78	30	Financing costs (2)	40	
157	77	Taxation	64	
48	25	Investment income (3)	5	
109	52	Net income	53	
6	3	Attributable to preference and outside shareholders	2	
115	55	Attributable to ordinary shareholders	51	
3	1	Earnings per ordinary share	33c	
112	54			
72c	35c			

- (1) Includes exports of R57 million (1984—R78 million).  
(2) Includes unrealised exchange differences on foreign borrowings of R8 million (1984—R5 million).  
(3) Share of after tax net income of associated companies and dividends from foreign subsidiaries.  
(4) The results for 1984 have been restated for the change in the basis of valuation of stocks from LIFO to FIFO.

#### Comments

The volume of domestic sales for the first six months was similar to that in the corresponding period in 1984. Although demand from the mining sector has remained comparatively strong and the weak rand has provided a boost for exports, trading in most sectors in which the Group operates has reflected the depressed conditions prevailing in the economy and the sharp reduction in consumer demand against the background of interest rates at unprecedented levels. The significant increase in financing costs reflects additional borrowings to finance capital expenditure, the high domestic interest rates and the need to provide to a greater extent against unrealised exchange differences.

The level of profitability in the second half-year will depend upon a number of factors notably a stable value for the rand, the absence of disruptive labour problems not only at the Group's factories but in the activities of its customers, reasonable rains in the summer rainfall area and no further deterioration in the economy. Latest indications are that, subject to these factors, earnings for the year should at least equal those for 1984.

On behalf of the Board

G. W. H. RILEY

E. J. SMALE

Directors

#### Transfer secretaries:

Consolidated Share Registrars Limited  
40 Commissioner Street  
Johannesburg

Hill Samuel Registrars Limited  
6 Greencon Place  
London SW1P 1PL  
England

Registered office:  
16th Floor, Office Tower  
Carlton Centre  
Johannesburg

#### Joint announcement



Liberty Life Association of Africa Limited  
Liberty Holdings Limited

and

TransAtlantic Insurance Holdings Limited

#### Cash offer by TransAtlantic Insurance Holdings Limited for the ordinary shares of Capital & Counties PLC

TransAtlantic Insurance Holdings Limited ("TransAtlantic") is a 75% owned subsidiary of Liberty Life Association of Africa Limited ("Liberty Life") and is the United Kingdom-based holding company for Liberty Life's international investments, which include significant interests in Sun Life Assurance Society PLC (26%) and a 34.5% interest in Capital & Counties PLC ("Capital & Counties"), which are important insurance and property companies in the United Kingdom.

On 18 July 1985, TransAtlantic announced in London that it had acquired a controlling interest in Capital & Counties, following a mandatory cash offer, of 225p per share, for the ordinary shares in Capital & Counties which it did not already hold and that acceptances had been received for 34 176 846 ordinary shares (44.5%), which when added to the 26 500 000 ordinary shares (34.5%) already held, increased its holding to 60 676 846 ordinary shares (79%).

Consequently in terms of the requirements of the City Code on Take-overs and Mergers, the offer is now unconditional but has to remain open for a further 14 days until 1 August 1985, when the offer will close and the final level of acceptances will become known.

It is TransAtlantic's intention to maintain the listing of Capital & Counties on The Stock Exchange, London and to ensure, as far as practicable, that there should continue to be an active market in the shares.

TransAtlantic has enjoyed a long standing relationship with Capital & Counties and its management and has reaffirmed its full commitment to the company and its confidence in its long term future. With TransAtlantic holding a controlling interest in Capital & Counties, Liberty Life is firmly of the opinion that the prospects for Capital & Counties will be enhanced by the new relationship in view of the expertise and resources TransAtlantic and Liberty Life will be able to bring to bear to augment the strong management team already in place. It is, however, intended to continue the existing business, policy and operations of the company as before.

TransAtlantic has received assurances from the board and senior management of Capital & Counties with regard to their continued commitment to the company. Mr Dennis Marler, currently Managing Director of Capital & Counties, has confirmed that he will assume the Chairmanship of the company following the annual general meeting on 26 July 1985, as previously announced.

Capital & Counties is a leading United Kingdom real estate company with assets of 25 March 1985, of \$327 million (R886 million). It is the recognised leader in the development of regional shopping centres in the United Kingdom and in 1984 received the European Shopping Centres Design Award. Capital & Counties' profits from its real estate operations were approximately \$10 million (R26.5 million) and taxed profits exceeded \$7 million (R18.5 million) for the year to 25 March 1985.

The acquisition of Capital & Counties by TransAtlantic will, at 31 December 1985, have a significant effect on the balance sheets of Liberty Life and its holding company, Liberty Holdings Limited, which are now expected to reflect consolidated assets, in each case, of the order of R6 billion. The effect on the earnings and net asset value per share of Liberty Life and Liberty Holdings can only be determined once the offer has closed and the full extent of acceptances is known. The transaction will, however, result in a material uplift in the capital and reserves of both Liberty Life and Liberty Holdings. Full details will be communicated to shareholders of Liberty Life and Liberty Holdings in due course.

The board of Liberty Life believes the acquisition of control of Capital & Counties is a major step forward in the development of Liberty Life's real estate interests and international strategies and should be of considerable long-term benefit to the group.

On behalf of the board

Donald Gordon Chairman

London

18 July 1985

A194

## UK COMPANY NEWS

### Saxon Petroleum reveals new UK onshore oil find

BY DOMINIC LAWSON

A NEW UK onshore oilfield was revealed yesterday in the listing documents relating to the agreed £185m merger between Charterhouse Petroleum and fellow UK oil company Saxon Oil.

The new company, Saxon Petroleum Corporation, says that it is testing an oil discovery at Lomer, about 7 miles south east of Winchester, Hants. The field was discovered by Carless Capel and Leonard, which operates the licence with a 37.5 per cent stake.

The find has yet to be tested fully, but oil analysts believe that it could contain recoverable reserves of between 5m and 20m barrels of oil. At the upper end of estimates, the field would be of the same order of magnitude as Carless's Rumbly Grove oil field, a few miles to the north east, which is the UK's second largest onshore oilfield.

Saxon Petroleum Corporation

will hold Charterhouse's 17.5 per cent stake in the find. The other partners are Mariner (17.5 per cent), Sulpetro (17.5 per cent) and Britoil (10 per cent).

Among other discoveries listed in the documents is a very encouraging gas well off the coast of East Anglia, in North Sea block 44/22. The new company also refers to its drilling on North Sea block 28/9B, which is thought to hold a promising oil discovery.

The new company says that it expects to participate in 53 UK exploration and appraisal wells this year. It has interests in 71 UK offshore blocks, a greater number than any UK independent oil company except Britoil.

The listing documents state that Saxon Petroleum Corp has proven and probable reserves of 78.6m barrels of oil and 139 bn cu ft of gas. The group will

have cash resources of £55m and shareholders' funds of £150m.

Oil analysts said yesterday that shareholders understood the logic of the merger. But they pointed out that there was always a possibility that someone could come in before the end of the three-week offer period and mount a bid for Saxon, which might be more attractive than the merger terms. So acceptances are not likely to be immediate.

Saxon reveals greatly improved profits for the year to June 30 1985 in the listing documents. The company made an operating profit of £2.7m (£1.57m) on turnover of £9.5m (£4.4m). Retained profits were £3.2m (£1.3m) giving earnings per share of 13.6p (8.9p).

The increase in turnover and profits reflects the inclusion of a full year's production from the 12.5 per cent stake Saxon purchased in BP's Forties field.

### Retail growth lifts Preedy

Alfred Preedy & Sons, whole-sale and retail tobaccoist, has reported another year of improvement. Following reduced interim losses, the company raised pre-tax profits for the 22 months to March 30, 1985 to £1.02m — a rise of 18 per cent on the previous year's £862,000.

This performance reflects a substantially increased contribution from the retail division, including the benefits of a successful Christmas, but was not as good as the company had hoped for at the interim stage. This shortfall was due to continuing trading difficulties in the whole-sale and printing and school contracting divisions.

Mr S. L. Preedy, the chairman, says that as a result of the significant programme of expansion in the retail division this year, borrowings are currently greater than at the same time in 1984. This, combined with exceptionally high interest rates, will result in increased finance charges, he warns.

However, he anticipates a further improvement in pre-tax profits for the current year as a whole.

Total sales in 1984-85 were up 12 per cent from £95.71m to £107.42m.

The closure of unprofitable stores continued and the related costs are reflected in exceptional charges of £91,000 (£268,000).

Borrowing costs for the year were down from £569,000 to £507,000 despite higher average interest rates during the period.

After tax of £220,000 (£138,000) and extraordinary charges of £45,000 (£34,000), the net available profit came out ahead from £412,000 to £252,000. Stated earnings per 25p share were 6.78p (8.01p) and the final dividend is 2.50p net for an increased total of 3.575p (3.5p) per share, costing £352,000 (£317,000).

### Statement on Milbury as shares fall

SHARES in Milbury, the house-building and property group controlled by Mr Jim Raper, fell again yesterday to close at 42p, 5p down on the day, capitalising the group at about £5m.

In response to the falling share price—which hit a high for the year of 52p just two weeks ago—and the persistent rumours of cash flow problems and house sale difficulties, Mr Raper's St Piran group yesterday stated that "if it disposed of its shareholding notification will be given."

The full statement from St Piran reads: "St Piran and a wholly-owned subsidiary which together hold 78.7 per cent of the issued share capital of Milbury continue to have been advised by its shareholding notification will be given. In the meantime the holding is still being retained."

### Sumitomo seeks 10% stake in Dunlop Tire

Sumitomo Rubber Industries, the Japanese tyre group, plans to take a stake of at least 10 per cent in Dunlop Tire and Rubber Corporation, the U.S. subsidiary of Dunlop Holdings which is finalising plans for a £140m management buy-out.

Dunlop has been part of BTR, the British industrial conglomerate, since the success of its £101m takeover in March. BTR said yesterday that it expects the buy-out to be completed later this week.

Dunlop Tire's management, headed by Mr Randall Clark, chief executive, and an investment consortium led by First Boston Inc is to pay \$118m for the company and pay off loans totalling about \$60m.

Mr Tetsuro Kawakami, president of Sumitomo Electric Industries, Sumitomo Rubber's parent company, said in Osaka that Sumitomo Rubber would shortly conclude a contract to take 10 per cent of Dunlop Tire. The contract will be accompanied by an option to buy more shares in Dunlop Tire, he added. Sumitomo hopes to strengthen collaboration agreements with Dunlop over matters such as the number of tyres supplied to Dunlop by Sumitomo.

Sumitomo bought most of Dunlop's European remanufacturing operations in an \$82m deal first announced in September 1983.

#### COMPANY NEWS IN BRIEF

**BIO-ISOLATES** (Holdings) rights issue of 2.82m new ordinary shares was taken up as to 1.1m with applications for 352,401 excess shares. In total these represent 61.8 per cent of the shares provisionally allotted. Excess shares were allotted in full. New investors, Le Sneur Cheese Company and St Peter Creamery, have subscribed for a total 1.52m shares and as a result of the rights and the allotment, 2.96m shares have been issued with the issued capital now totalling 11.44m shares. The new investors, together with their principle shareholders, are interested in 1.72m ordinaries, equal to 15 per cent.

**TALBEX's** offer for Yorkgreen Investments is unconditional in all respects. New Talbex ordinary shares have been issued and allotted in respect of acceptances complete in all respects received by the first closing date. At July 22 the aggregate of Yorkgreen ordinary shares in respect of which acceptances had been received, or which were acquired by Talbex prior to the offer, was 8.45m (78.1 per cent).

**PETROL** has agreed to acquire an 87.5 per cent working interest (75.73 per cent net revenue interest) in the Amy Sear unit, which constitutes 1,200 acres of the East Bartlett field, Jones County, Texas. The consideration is \$750,000 (£537,000) cash. Petrol pre-

viously controlled acreage in and around this field, and has been negotiating to acquire the remaining interests since early 1984.

**CAMBRIAN** and General Securities' third quarter results show net asset value per ordinary share up from 97.94p to 116.67p for the period to June 28 1985, and from 125.88p to 142.37p per capital share. Total net assets rose from £46.87m to £75.5m.

**GEORGE WILLS** and SONS, grain, rapeseed and protein merchant, has been acquired by David Duncombe and Partners, the Peterborough-based grain merchant. A nominal consideration of £1 has been paid for goodwill, and the consideration payable in cash on completion was £56,000. The business will trade under the name of Page Wills.

**MCCORQUODALE HOLDINGS**, a wholly owned subsidiary of McCorquodale, has acquired an 80 per cent stake in Signify, a company set up specially to develop, market and manufacture dynamic signature verification products.

## PLYSU PLC

Years ended 31st March	1985	1984
Turnover	£27,888,000	£23,312,000
Profits before tax	£3,872,000	£3,307,000
Earnings per share	14.7p	13.4p
Dividends per share	3.25p	2.7p

Capitalisation issue of 1 for 2

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Notice is hereby given that the Rate of Interest relating to the above issue has been fixed at 8.225 per cent per period 24th July, 1985 to 27th August, 1985. Interest payable on 27th August, 1985 will amount to US\$77.68 per US\$10,000 Deposit and US\$1,942.01 per US\$250,000 Deposit.

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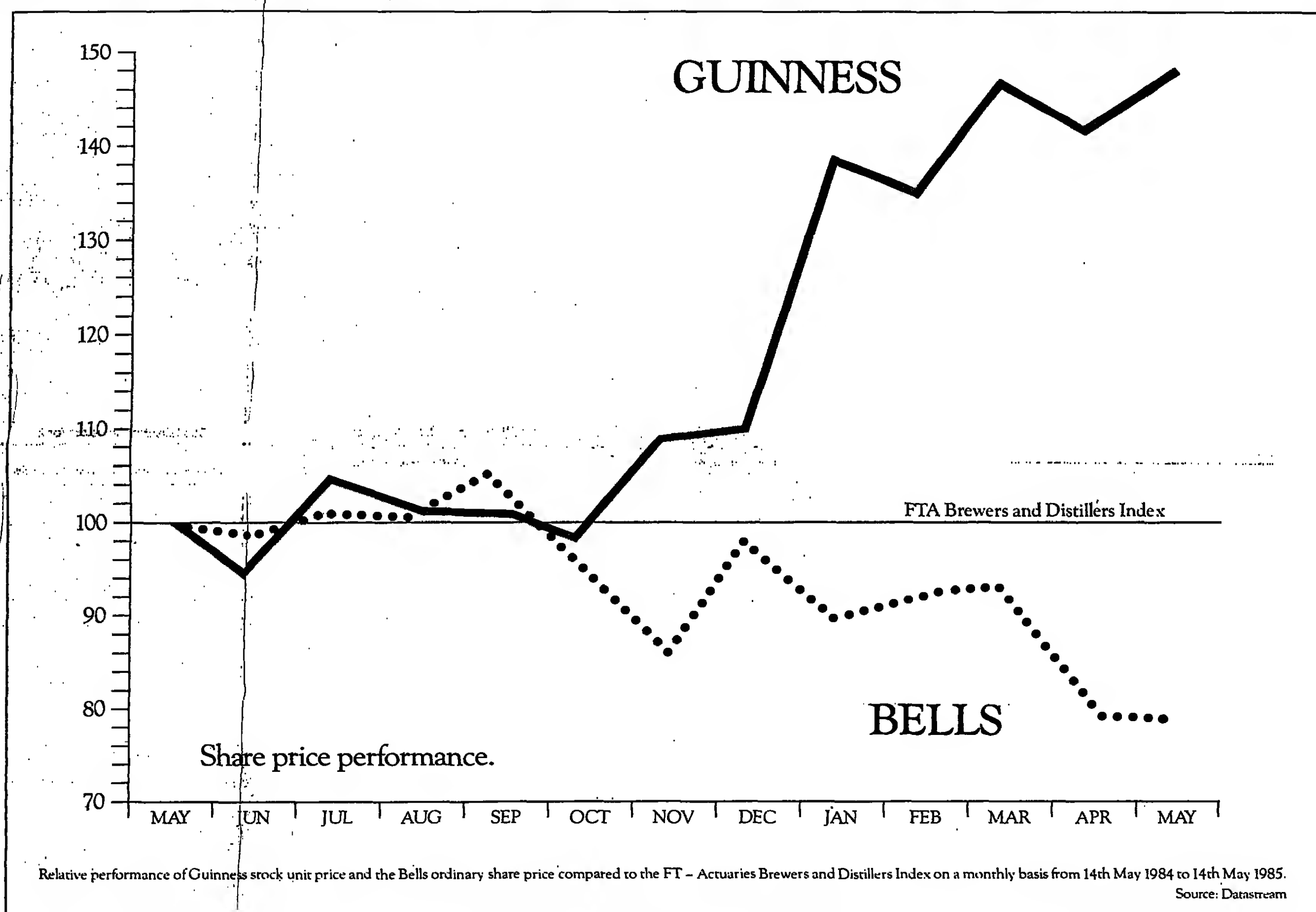
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# WHO HAS THE BETTER SENSE OF DIRECTION?



Since 1980 Bells' share of the UK Scotch Whisky market has declined by 20%.

Overseas, Bells has also failed to achieve its promised inroads into the crucial US market.

By contrast, the Guinness Group has not only revitalised its core brewing business and established a second major profit source, Retailing, it has also developed a strategy of "Growth for Tomorrow" by investment in Healthcare and Publishing.

Bells' predicament and Guinness' revitalisation have both been recognised by the

Stock Market as the graph, for May 1984 to May 1985, so vividly demonstrates.

Guinness' record justifies the claim that it can steer Bells in the right direction. The market confidence in the considerable abilities of the Guinness management team should further enhance Bells' shareholders' confidence.

On 14th May 1985, before rumours of the Guinness bid, Bells' shares languished at 143p.

Bells' shareholders are not only being offered a substantial premium over this

price, they are being offered shares in an exciting, enlarged Guinness Group.

The growth prospects of this Group can only lead Bells' shareholders in one direction.

Towards accepting the very full offers made by Guinness, before 3.00 p.m. tomorrow.

## GUINNESS PLC

DRAUGHT AND BOTTLED GUINNESS. HARP KALIBER. DRUMMONDS. MARTIN THE NEWSAGENT. LAVELLS. TELEVEN STORES. CHAMPNEYS AND STOB. CASTLE HEALTH RESORTS. NATURE'S BEST VITAMINS. GUINNESS PUBLISHING.

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[illegible]

هكذا عن الأصل







## COMMODITIES AND AGRICULTURE

## Shearsons elected to LME membership

By John Edwards

THE London Metal Exchange yesterday approved the election of Shearson Lehman Brothers, the financial conglomerate that is part of the American Express group, as a ring-dealing member.

The election was achieved through a complicated route. The new ring-dealing member actually unanimously approved by a joint meeting of the LME Board and management committee was Acl Metals, which took over the outstanding contracts and commitments of the previous member company, Acl Metals (London). At the same time ownership of the new company, Acl Metals, was transferred from DLJ Futures, part of the Donaldson, Lufkin & Jenrette group, to become a fully owned subsidiary of Shearson. Earlier this month the DLJ group said its commodity futures interests to the Refco group, with the exception of Acl Metals (London) and Wardsley & Acl Metals. However, negotiations started straight away with Shearsons, who nowadays are one of the most active traders in the metal markets.

It was thought there might be some opposition to the election of Shearsons as ring-dealing members, since the LME has traditionally been opposed to granting membership to companies, whose main interest is not in metals, especially U.S. commission houses. A breakthrough was made a few years ago when MacLaine Watson, a subsidiary of Drexel Burnham and Lambert, was elected as a ring-dealing member after a hard struggle and close vote. Acl and DLJ followed later.

The unanimous election of Shearsons, who is an important customer for many of the LME ring-dealing members, confirms that opinion has changed round the ring. It was evidently thought that Shearsons had become such an important influence on the exchange through aggressive marketing that it was preferable to bring them into the ring-dealing discipline rather than try to keep them out.

## London coffee futures tumble to 33-month lows

By Andrew Gowers

COFFEE EXPORTERS told consuming countries yesterday of their serious concern at the continuing slide in prices which has taken the International Coffee Organisation's daily price below the crucial 100 cents per pound level.

But at a week-long meeting of the ICO's executive board which began in London on Monday, producers met with the idea of implementing an additional cut in export quotas beyond the automatic in-bag reduction which is expected to take effect within a matter of days.

Meanwhile, September robusta coffee futures fell a further 10¢ to \$1.457.50 a tonne on the London market, the lowest level since October 1982. With supplies remaining abundant, dealers believe that only news of a severe Brazilian Shearsons price reduction will trigger a further price tumble.

A further 1m bag quota reduction—which would take the global quota to 58m bags—will be triggered when the ICO's 15-day moving average price drops below 120 cents per pound. But even this development seems to have been

already discounted by the market. The 15-day price was quoted at 123.37 cents yesterday, and is dropping steadily.

This week, producers reiterated their view that the price slide is mainly attributable to the fixing of an excessively large total export quota for the 1984-85 marketing year. Consumers, however, reminded the exporters of the much higher prices they enjoyed in the previous seasons.

A further quota reduction below 58m bags needs the approval of the ICO board. Producers delegates have not yet formally proposed such a cut, but were last night awaiting instruction from their governments.

Meanwhile, coffee consuming countries were studying detailed proposals from producers aimed at reducing alleged abuses of the International Coffee Agreement, whereby exports intended for non-members do not actually reach their destination.

Most exporting countries have agreed on a detailed 15-day formula to apply penalties to producers who cannot prove that their sales to non-members arrive.

The ICO estimates that more than 3m tonnes of coffee have "disappeared" in this way since 1983, despite the adoption of a resolution then aimed at stopping the practice. The issue is becoming a matter of increasing acrimony dispute within the ICO as producers and consumers square up to renegotiate export quotas under the agreement this September.

Some consuming countries maintain that traders allow these missing coffee shipments—often made at lower prices than those fixed by the ICO—to "leak" on to member markets.

Key producers like Brazil, however, reckon they are sitting aboard ships or in freeports and overhauling the market.

Under the proposal agreed by all producers except Indonesia—the main seller of coffee to non-members—export quotas would be applied to producers which cannot account for an above-average quantity of coffee sold to non-members. Brazil is hoping that the agreement can be reached this week, but it seems likely that a final decision will have to wait until September.

## India to import cotton from Pakistan

By R. C. Murthy in Bombay

INDIA IS to import 100,000 bales (170 kilos each) of cotton over the next two months. The Government-owned Cotton Corporation of India (CCI), which handles external cotton trade, has reached understanding with Pakistan for purchase of 62,000 bales of medium staple cotton. The remaining 38,000 bales may be imported from the Sudan.

The country is importing cotton despite record production of more than 9m bales in 1984-85 (September-August). 1.5m bales higher than the previous year. The carry-forward stock of 62,000 bales of medium staple cotton is the lowest in the year was only 54,000 bales.

There is an apparent surplus of nearly 500,000 bales as consumption is estimated at 8.7m bales. The varieties of cotton available do not match the needs of the textile industry.

## WEEKLY METALS

All prices as supplied by Metal Bulletin:

ANTIMONY: European free market, 98.5 per cent, \$ per tonne, in warehouse, 2,510-2,570.

CADMIUM: European free market, min. 99.99 per cent, \$ per lb, in warehouse, 4.00-4.15.

COPPER: European free market, 99.5 per cent, \$ per lb, in warehouse, 1.40-1.55.

MERCURY: European free market, min. 99.99 per cent, \$ per lb, in warehouse, 25.00-26.00.

MOLYBDENUM: European free market, min. 99.99 per cent, \$ per lb, in warehouse, 3.10-3.20.

SELENIUM: European free market, min. 99.99 per cent, \$ per lb, in warehouse, 25.00-26.00.

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit WO<sub>3</sub>, cif, 63-69.

VANADIUM: European free market, min. 98 per cent V<sub>2</sub>O<sub>5</sub>, cif, 2.15-2.25.

URANIUM: Nuxeo exchange value, \$ per lb U<sub>3</sub>O<sub>8</sub>, 15.00.

## Wong Sulong on palm oil output prospects Malaysia cashes in on its 'golden crop'

THE PROSPECTS of heavy volumes of palm oil, up to 450,000 tonnes a month, coming out from Malaysian estates for the remainder of the year has caused prices to plunge from its surprisingly firm levels a few months ago.

Crude palm oil prices quoted on the Kuala Lumpur Commodities Exchange are hovering around 1,000 ringgit (\$410) a tonne, a drop of 50 per cent from prices reached in April.

They are expected to decline further probably to around 900 ringgit later in the year as Malaysian palm oil meets with fierce competition in the market of U.S. soybeans and increasingly oversupplied edible oil market.

Despite the softening of prices, however, the Malaysian Government is cautiously optimistic that palm oil, the country's so-called "golden crop," will repeat its sparkling performance of last year.

The exceptionally high prices of 1984 are unlikely to be repeated but value lost through lower prices will be more than made up through record export volumes, according to Datuk Paul Leong, the Minister of Primary Industries, to comment that "palm oil looks like the brightest spot in an otherwise sluggish economy."

For this year, aided by record production and high carry-over stocks, exports of palm oil are expected to soar to 4m tonnes, from 3.2m tonnes last year.

Exports of palm kernel oil are projected to rise by 10 per cent to 440,000 tonnes.

The Ministry of Primary Industries estimates that crude palm oil (CPO) prices will average 1,150 ringgit a tonne for the remainder of the year.

About 95 per cent of Malaysia's palm oil is exported after refining, and this adds another 200 ringgit per tonne to its value.

We expect exports of refined palm oil to reach 6.5m tonnes of its golden crop. The local market will take less than 4 per

cent of this volume. The need to find new markets has been brought home by a recent visit of Datuk Leong to the Indian sub-continent. The sub-continent countries are the largest buyers of Malaysian palm oil, with India taking 380,000 tonnes and Bangladesh 100,000 tonnes last year.

The scope to increase these large intakes is clearly limited. The Indian Government is concerned about the massive trade imbalance, which was 1bn ringgit in Malaysia's favour last year.

"We have to be vigorous in embarking on our promotional efforts in other markets such as China, Africa, the Middle East and the U.S.," said Datuk Leong.

Africa, Kenya, Nigeria and Egypt are also promising markets. They took 89,000 tonnes, 109,000 tonnes and 50,000 tonnes respectively from Malaysia last year.

Recently, the Malaysian Overseas Investment Corporation, secured a \$77m deal to supply 95,000 tonnes of refined palm oil to Nigeria, the biggest commercial deal ever made by a Malaysian company in that country.

Since Darby, the plantation-based Malaysian group, has entered into a joint venture in Egypt to set up a palm oil refinery.

Japan and South Korea are also potentially big markets, but here, the U.S. soybean lobby is strong. China, a challenging market, where palm oil is currently used for making soap. A Malaysian technical team visited China last year to promote palm oil for margarine and cooking.

Although the U.S. is the world's biggest producer and exporter of soybean oil, it used to be the biggest importer of Malaysian palm oil in the 1970's, taking up to 400,000 tonnes a year.

Now, its imports are down to 100,000 tonnes, and Datuk Leong would like Malaysian exporters to have a crack at that market again.

By 1990, Malaysia is expected to produce 6.5m tonnes of its golden crop. The local market will take less than 4 per

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By 1990, Malaysia is expected to produce 6.5m tonnes of its golden crop. The local market will take less than 4 per

cent of this volume. The need to find new markets has been brought home by a recent visit of Datuk Leong to the Indian sub-continent. The sub-continent countries are the largest buyers of Malaysian palm oil, with India taking 380,000 tonnes and Bangladesh 100,000 tonnes last year.

The scope to increase these large intakes is clearly limited. The Indian Government is concerned about the massive trade imbalance, which was 1bn ringgit in Malaysia's favour last year.

"We have to be vigorous in embarking on our promotional efforts in other markets such as China, Africa, the Middle East and the U.S.," said Datuk Leong.

Africa, Kenya, Nigeria and Egypt are also promising markets. They took 89,000 tonnes, 109,000 tonnes and 50,000 tonnes respectively from Malaysia last year.

## CEGB buys spot market coal

By Gerard McCloskey

FOR THE first time since the 1970s, Britain's Central Electricity Generating Board (CEGB) has entered the international coal spot market. In two major purchases, it has signed up to 120,000 tonnes of steam coal from Colombia and the U.S.

The coal, which is destined for the Lancashire power station of Fiddlers Ferry, will be imported through the British Steel Corporation's Coal Sales Division. What little coal the CEGB has imported in recent years in three contracts with Australian mines, has been landed on the Continent before being moved on to the three Thameside coal-fired power stations of Tilbury, West Thurrock and King's North. The additional cost of this continental transfer,

reckoned to amount to £7 a tonne, will be avoided by using Hummerston.

The price paid for the spot deliveries is thought to be around \$43 a tonne (\$30.71) which compares with \$44 for the bulk of National Coal Board supplies and £26 a tonne for the "second tranche" of NCB coal delivered to the electricity utility. The U.S. coal is priced at \$44.57 a tonne, and the Colombian cargo of 60,000 tonnes is thought to be slightly cheaper.

The CEGB is saying nothing about the spot deliveries but London traders report that the purchases came after a clandestine tender among steam coal suppliers in recent weeks. One of the two spot deliveries,

both of which are due to arrive in August, has caught the interest of the world steam coal market. This contract has seen Shell Coal International sell to CEGB a cargo of top quality Colombian steam coal, taking it from under the noses of the two partners of the massive new El Cerrejon Norte mine—Exxon's Interior and Colombia's carbocel. Shell, which is bidding for a share in the mine, managed to acquire the coal from the stockpile of Cerrejon Central pit.

The second delivery is being provided by Inter Continental Fuels and the U.S. subsidiary of Ruhrkohle, the German coal producer.

CEGB's purchases are part of a strategy to diversify its coal supplies and reduce its dependence on the NCB. The board is also looking to secure a steady supply of high-quality coal for its power stations.

The purchases are expected to be a significant step in CEGB's efforts to improve its coal supply security and reduce costs.

The CEGB's purchases are part of a broader strategy to diversify its energy sources and reduce its reliance on coal.

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## LONDON MARKETS

**COCOA FUTURES**—firmed yesterday on the back of strong New York prices, despite sterling's strength. Prices were boosted by a lack of selling by producers, with the exception of Brazil, and sporadic industry demand. There were also rumours of unfavourable weather and possible disease in Brazil's cocoa-growing areas.

Sugar held quiet steady, with sentiment of Brazil and the Caribbean, and particularly in the Dominican Republic.

Base metal trading on the London Metal Exchange was generally quiet and currency-dominated in a narrow range, although traders reported some trade demand for lead at the day's lower levels.

## ALUMINIUM

Unofficial + or - High/Low  
Close 7145.5 -11.5 7137.5  
5 months 7145.5 -11.5 7137.5  
Official closing (am): Cash 7137.5 (724.4), three months 7137.5 (724.4), settlement 7137.5 (724.4). Final Korb close: 738.5-4.  
Turnover: 25,375 tonnes.

## COPPER

Higher grade Unofficial + or - High/Low  
Close 1987.0 -10.0 1977.0  
3 months 1987.0 -10.0 1977.0  
Official closing (am): Cash 1977.0 (1972.5), three months 1977.0 (1972.5), settlement 1977.0 (1972.5). Final Korb close: 1987.0-1.  
Turnover: 10,700 tonnes. U.S. spot: 19.21 cents per pound.

## LEAD

Unofficial + or - High/Low  
Close 982.3 -4.0 978.3  
5 months 982.3 -4.0 978.3  
Official closing (am): Cash 978.3 (982.3), three months 978.3 (982.3), settlement 978.3 (982.3). Final Korb close: 982.3-5.  
Turnover: 834 tonnes.

## NICKEL

Unofficial + or - High/Low  
Close 3550.40 -100 3540.40  
5 months 3550.40 -100 3540.40  
Official closing (am): Cash 3540.40 (3550.40), three months 3540.40 (3550.40), settlement 3540.40 (3550.40). Final Korb close: 3550.40-5.  
Turnover: 834 tonnes.

## ZINC

Unofficial + or - High/Low  
Close 546.8 -7.0 539.8  
5 months 546.8 -7.0 539.8  
Official closing (am): Cash 539.8 (546.8), three months 539.8 (546.8), settlement 539.8 (546.8). Final Korb close: 546.8-5.  
Turnover: 10,700 tonnes. U.S. spot: 19.21 cents per pound.

## MAIN PRICE CHANGES

July 23 + or - Month 1980 - ago

July 23 + or - Month 1985 - ago

METALS

Aluminium (1100) 1100.0 -11.5 1088.5

Copper 1987.0 -10.0 1977.0

Lead 982.3 -4.0 978.3

Nickel 3550.40 -100 3540.40

Silver 1987.0 -10.0 1977.0

Tin 1100.0 -11.5 1088.5

Zinc 546.8 -7.0 539.8

Grains

Wheat 1100.0 -11.5 1088.5

Barley 1100.0 -11.5 1088.5

Oats 1100.0 -11.5 1088.5

Rice 1100.0 -11.5 1



# CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

### Dollar loses ground again

The dollar weakened on the foreign exchange yesterday, continuing the trend seen in New York Monday night. U.S. dealers appeared to be disappointed at the failure of the dollar to sustain a level above DM 2.80, after the devaluation of the Italian lira had created nervousness among many European currencies. Long positions taken out in the wake of the lira crisis were unwound, pushing the dollar down to early trading at DM 2.85, and showed little reaction to yesterday's economic data from the U.S. The inflation rate, measured by the consumer price index, was in line with expectations, but the rise of 1.8 per cent in June durable goods orders compared with some forecasts of a fall of up to 3 per cent. This set of figures generally considered erratic however, and although the dollar received a small boost on its publication, the large decrease in the figure led to a later decline.

The dollar fell to DM 2.8505 from DM 2.8800; FF 8.66 from FF 8.7975; SwFr 2.34 from SwFr 2.3785; and Y237.90 from Y240.05.

On Bank of England figures the dollar's index fell to 137.4 from 139.0.

**STERLING-TRADING** range against the dollar in 1985 is 1.4125 to 1.0625. June average 1.2813. Exchange rate index rose 0.5 to 84.2. It also opened at 84.2, and after falling to an early low of 84.1, touched a peak of 84.4 in the afternoon.

Sterling attracted funds moving out of the dollar again yesterday, but finished around the middle of the day's range, after a very strong opening. Optimism about the outcome of the Opec meeting in Geneva helped to lift the pound, which remained supported by the high level of London interest rates.

Sterling gained 2.20 cents to \$1.4105-\$1.4115, and also rose to DM 4.0250; FF 8.66 from FF 8.7975; SwFr 2.34 from SwFr 2.3785; and Y237.90 from Y240.05.

**D-MARK** - Trading range against the dollar in 1985 is 2.4510 to 2.6375. June average 2.5082. Exchange rate index 125.1, against 120.2 six months ago.

The D-mark improved against the dollar, with the U.S. currency ending just above the day's lows in Frankfurt. The dollar fell to DM 2.8570 from DM 2.8825, and down from around DM 2.86 touched just after the figures on consumer prices and durable goods orders published during the afternoon. The U.S. inflation rate for June was much as expected, but durable goods were rather better than most forecasts, although there was concern that defence goods made up a large part of the figure. Dealers also suggested the D-mark attracted funds from other members of the EMS, on concern about another possible realignment of the system.

Earlier in the day the dollar was fixed at DM 2.88 in Frankfurt, compared with DM 2.8886 on Monday, without any intervention by the Bundesbank.

## EMS EUROPEAN CURRENCY UNIT RATES

	Unit	Central bank rate	% change against dollar	% change against DM	% change against FF	% change against SwFr	% change against Y200
Belgium	Franc	40.339	+0.000	+0.000	+0.000	+0.000	+0.000
France	Franc	6.5596	+0.000	+0.000	+0.000	+0.000	+0.000
Germany	Mark	2.3636	+0.000	+0.000	+0.000	+0.000	+0.000
Italy	Lira	1.936	+0.000	+0.000	+0.000	+0.000	+0.000
Netherlands	Guilder	3.7603	+0.000	+0.000	+0.000	+0.000	+0.000
Portugal	Escudo	200.482	+0.000	+0.000	+0.000	+0.000	+0.000
Spain	Peseta	166.639	+0.000	+0.000	+0.000	+0.000	+0.000
Sweden	Krona	4.66	+0.000	+0.000	+0.000	+0.000	+0.000
Switzerland	Franc	2.0	+0.000	+0.000	+0.000	+0.000	+0.000
UK	Pound	1.0	+0.000	+0.000	+0.000	+0.000	+0.000

## STERLING INDEX

	July 23	July 22	Previous
5.30 am	84.2	84.1	83.5
9.00 am	84.1	84.1	83.7
10.00 am	84.3	84.3	83.5
11.00 am	84.3	84.3	83.5
1.00 pm	84.4	84.4	83.5
2.00 pm	84.2	84.2	83.7
3.00 pm	84.4	84.4	83.5
4.00 pm	84.2	84.2	83.5

## £ IN NEW YORK

	July 23	July 22	Previous
£ spot	\$1.4105-1.4115	\$1.4080-1.4090	\$1.4050-1.4060
£ 1 month	\$1.4105-1.4115	\$1.4080-1.4090	\$1.4050-1.4060
£ 3 months	\$1.4105-1.4115	\$1.4080-1.4090	\$1.4050-1.4060
£ 6 months	\$1.4105-1.4115	\$1.4080-1.4090	\$1.4050-1.4060
£ 12 months	\$1.4105-1.4115	\$1.4080-1.4090	\$1.4050-1.4060

## FINANCIAL FUTURES

### Confusion over data

Eurodollar futures closed little changed on the London International Financial Futures Exchange yesterday, after a period of confusion in the afternoon, following publication of U.S. durable goods orders for June. September Eurodollars opened at 91.74, but the price rose to 91.81, but the announcement of the durable goods figure left the market wobbling between 91.85 and 91.75, before the September contract closed at 91.70, compared with 91.69 previously. The rise of 1.8 per cent in June durable goods orders, was above the level of most forecasts, which ranged down to a fall of 3 per cent, and should have been a depressing factor, but when the deflationary spending was excluded the rise was only 0.7 per cent, and this produced the confused late trading.

U.S. Treasury bonds for September delivery opened at 75.00, and fell to a low of 75.17, when buying interest resumed, and the contract finished at 75.27, compared with 75.01 on Monday.

## LONDON

	Close	High	Low	Prev
U.S. Treasury bonds	75.27	75.55	75.17	75.01
2 1/2% 100,000 32nds of 100%	75.27	75.55	75.17	75.01

## CHICAGO

	Close	High	Low	Prev
U.S. Treasury bonds (CBT)	75.27	75.55	75.17	75.01
2 1/2% 100,000 32nds of 100%	75.27	75.55	75.17	75.01

## THREE-MONTH STERLING

	Close	High	Low	Prev
3m Sterling	84.2	84.4	84.0	83.5

## U.S. TREASURY BILLS (182d)

	Close	High	Low	Prev
182d T-bill	75.27	75.55	75.17	75.01

## POUND SPOT-FORWARD AGAINST POUND

	July 23	July 22	Previous
U.S.	1.4105-1.4115	1.4080-1.4090	1.4050-1.4060
Canada	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
France	8.66-8.66	8.66-8.66	8.66-8.66
Germany	4.0250-4.0250	4.0250-4.0250	4.0250-4.0250
Italy	1.936-1.936	1.936-1.936	1.936-1.936
Netherlands	3.7603-3.7603	3.7603-3.7603	3.7603-3.7603
Portugal	200.482-200.482	200.482-200.482	200.482-200.482
Spain	166.639-166.639	166.639-166.639	166.639-166.639
Sweden	4.66-4.66	4.66-4.66	4.66-4.66
Switzerland	2.0-2.0	2.0-2.0	2.0-2.0
UK	1.0-1.0	1.0-1.0	1.0-1.0

## DOLLAR SPOT-FORWARD AGAINST DOLLAR

	July 23	July 22	Previous
U.S.	1.4105-1.4115	1.4080-1.4090	1.4050-1.4060
Canada	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
France	8.66-8.66	8.66-8.66	8.66-8.66
Germany	4.0250-4.0250	4.0250-4.0250	4.0250-4.0250
Italy	1.936-1.936	1.936-1.936	1.936-1.936
Netherlands	3.7603-3.7603	3.7603-3.7603	3.7603-3.7603
Portugal	200.482-200.482	200.482-200.482	200.482-200.482
Spain	166.639-166.639	166.639-166.639	166.639-166.639
Sweden	4.66-4.66	4.66-4.66	4.66-4.66
Switzerland	2.0-2.0	2.0-2.0	2.0-2.0
UK	1.0-1.0	1.0-1.0	1.0-1.0

## OTHER CURRENCIES

	July 23	July 22	Previous
Argentina	1.1800-1.1800	1.1800-1.1800	1.1800-1.1800
Australia	1.5000-1.5000	1.5000-1.5000	1.5000-1.5000
Brunei	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
Canada	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
Denmark	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
Finland	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
France	8.66-8.66	8.66-8.66	8.66-8.66
Germany	4.0250-4.0250	4.0250-4.0250	4.0250-4.0250
Italy	1.936-1.936	1.936-1.936	1.936-1.936
Netherlands	3.7603-3.7603	3.7603-3.7603	3.7603-3.7603
Portugal	200.482-200.482	200.482-200.482	200.482-200.482
Spain	166.639-166.639	166.639-166.639	166.639-166.639
Sweden	4.66-4.66	4.66-4.66	4.66-4.66
Switzerland	2.0-2.0	2.0-2.0	2.0-2.0
UK	1.0-1.0	1.0-1.0	1.0-1.0

## CURRENCY MOVEMENTS

	July 23	July 22	Previous
U.S.	1.4105-1.4115	1.4080-1.4090	1.4050-1.4060
Canada	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
France	8.66-8.66	8.66-8.66	8.66-8.66
Germany	4.0250-4.0250	4.0250-4.0250	4.0250-4.0250
Italy	1.936-1.936	1.936-1.936	1.936-1.936
Netherlands	3.7603-3.7603	3.7603-3.7603	3.7603-3.7603
Portugal	200.482-200.482	200.482-200.482	200.482-200.482
Spain	166.639-166.639	166.639-166.639	166.639-166.639
Sweden	4.66-4.66	4.66-4.66	4.66-4.66
Switzerland	2.0-2.0	2.0-2.0	2.0-2.0
UK	1.0-1.0	1.0-1.0	1.0-1.0

## CURRENCY RATES

	July 23	July 22	Previous
U.S.	1.4105-1.4115	1.4080-1.4090	1.4050-1.4060
Canada	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
France	8.66-8.66	8.66-8.66	8.66-8.66
Germany	4.0250-4.0250	4.0250-4.0250	4.0250-4.0250
Italy	1.936-1.936	1.936-1.936	1.936-1.936
Netherlands	3.7603-3.7603	3.7603-3.7603	3.7603-3.7603
Portugal	200.482-200.482	200.482-200.482	200.482-200.482
Spain	166.639-166.639	166.639-166.639	166.639-166.639
Sweden	4.66-4.66	4.66-4.66	4.66-4.66
Switzerland	2.0-2.0	2.0-2.0	2.0-2.0
UK	1.0-1.0	1.0-1.0	1.0-1.0

## EXCHANGE CROSS-RATES

	July 23	July 22	Previous
U.S.	1.4105-1.4115	1.4080-1.4090	1.4050-1.4060
Canada	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
France	8.66-8.66	8.66-8.66	8.66-8.66
Germany	4.0250-4.0250	4.0250-4.0250	4.0250-4.0250
Italy	1.936-1.936	1.936-1.936	1.936-1.936
Netherlands	3.7603-3.7603	3.7603-3.7603	3.7603-3.7603
Portugal	200.482-200.482	200.482-200.482	200.482-200.482
Spain	166.639-166.639	166.639-166.639	166.639-166.639
Sweden	4.66-4.66	4.66-4.66	4.66-4.66
Switzerland	2.0-2.0	2.0-2.0	2.0-2.0
UK	1.0-1.0	1.0-1.0	1.0-1.0

## EURO-CURRENCY INTEREST RATES (Market closing rates)

	July 23	July 22	Previous
U.S.	1.4105-1.4115	1.4080-1.4090	1.4050-1.4060
Canada	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
France	8.66-8.66	8.66-8.66	8.66-8.66
Germany	4.0250-4.0250	4.0250-4.0250	4.0250-4.0250
Italy	1.936-1.936	1.936-1.936	1.936-1.936
Netherlands	3.7603-3.7603	3.7603-3.7603	3.7603-3.7603
Portugal	200.482-200.482	200.482-200.482	200.482-200.482
Spain	166.639-166.639	166.639-166.639	166.639-166.639
Sweden	4.66-4.66	4.66-4.66	4.66-4.66
Switzerland	2.0-2.0	2.0-2.0	2.0-2.0
UK	1.0-1.0	1.0-1.0	1.0-1.0

## MONEY MARKETS

### London rates fall slightly

Interest rates eased slightly on the London money market yesterday, as sterling gained ground against the dollar and other major currencies on the foreign exchange. The three-month interbank rate fell to 11 1/4 per cent from 11 1/2 per cent, while the three-month bank bill rate was unchanged at 11 1/2 per cent.

The Bank of England forecast a money market shortage of £750m in the morning, but changed this to £800m at noon. Total help provided by the authorities was £865m.

Before lunch the Bank of England bought £281m bills, including £87m outright, by way of £20m bank bills in band 2 (15-33 days maturity) at 11 1/4 per cent, and £11m bank bills in band 3 (34-63 days) at 11 1/2 per cent.

Another £220m bills were purchased for resale to the market on August 14 at 11 1/4-11 1/2 per cent.

In the afternoon further assistance of £13m was provided, when the authorities bought £13m bank bills in band 2 at 11 1/4 per cent.

## LONDON MONEY RATES

	July 23	July 22	Previous
U.S.	1.4105-1.4115	1.4080-1.4090	1.4050-1.4060
Canada	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
France	8.66-8.66	8.66-8.66	8.66-8.66
Germany	4.0250-4.0250	4.0250-4.0250	4.0250-4.0250
Italy	1.936-1.936	1.936-1.936	1.936-1.936
Netherlands	3.7603-3.7603	3.7603-3.7603	3.7603-3.7603
Portugal	200.482-200.482	200.482-200.482	200.482-200.482
Spain	166.639-166.639	166.639-166.639	166.639-166.639
Sweden	4.66-4.66	4.66-4.66	4.66-4.66
Switzerland	2.0-2.0	2.0-2.0	2.0-2.0
UK	1.0-1.0	1.0-1.0	1.0-1.0

## Discount Houses Deposit and Bill Rates

	July 23	July 22	Previous
U.S.	1.4105-1.4115	1.4080-1.4090	1.4050-1.4060
Canada	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
France	8.66-8.66	8.66-8.66	8.66-8.66
Germany	4.0250-4.0250	4.0250-4.0250	4.0250-4.0250
Italy	1.936-1.936	1.936-1.936	1.936-1.936
Netherlands	3.7603-3.7603	3.7603-3.7603	3.7603-3.7603
Portugal	200.482-200.482	200.482-200.482	200.482-200.482
Spain	166.639-166.639	166.639-166.639	166.639-166.639
Sweden	4.66-4.66	4.66-4.66	4.66-4.66
Switzerland	2.0-2.0	2.0-2.0	2.0-2.0
UK	1.0-1.0	1.0-1.0	1.0-1.0

## MONEY RATES

	July 23	July 22	Previous
U.S.	1.4105-1.4115	1.4080-1.4090	1.4050-1.4060
Canada	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
France	8.66-8.66	8.66-8.66	8.66-8.66
Germany	4.0250-4.0250	4.0250-4.0250	4.0250-4.0250
Italy	1.936-1.936	1.936-1.936	1.936-1.936
Netherlands	3.7603-3.7603	3.7603-3.7603	3.7603-3.7603
Portugal	200.482-200.482	200.482-200.482	200.482-200.482
Spain	166.639-166.639	166.639-166.639	166.639-166.639
Sweden	4.66-4.66	4.66-4.66	4.66-4.66
Switzerland	2.0-2.0	2.0-2.0	2.0-2.0
UK	1.0-1.0	1.0-1.0	1.0-1.0

## FT LONDON





Stock	Price	+ or -	Yield
	\$		%

## BUILDING, TIMBER, ROADS | DRAPERY &amp; STORES—Cont

الحمد لله رب العالمين

هكذا من اجل



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### NOTES

Unless otherwise indicated, prices and net dividends are in price and denominations are 25¢. Excessed earnings ratios and covers are based on annual net earnings and dividends, respectively. Dividend yields are based on annual dividends. P/E's are calculated on P/E own income basis, earnings per share being computed on cash after taxation and unretained cash where applicable, bracketed figures indicate 10 per cent or more difference in calculation. P/E distribution, covers are based on "maximum" distribution; this shows gross dividend ratio to profit after taxation, excluding exceptional profits/losses, but excluding abnormal extent of offsettable cash. Yields are based on middle prices, are gross, assumed to be 30 per cent.

- and allow for value of declared distribution and rights.
- "Up Stock".
- High and Low's marked thus have been adjusted to allow for right issues for each.
- Interest since increased or resumed.
- Interest since reduced, passed or deferred.
- Tax-free in non-residents on application.
- Figures of registered companies.
- Not publicly (U) listed, dealings permitted under Rule 555(a)(1).
- US\$M: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Draft in under Rule 535(c)(3).

1 Indicated dividend after pending scries and/or rights issues; cover returns on  
2 previous dividend or forecast.  
3 Merge bid or reorganization in progress.  
4 Not comparable.  
5 Same interest rates final and/or revised earnings indicated.  
6 For cash dividend, cover an earnings update by latest interim statement.  
7 Cover allows for conversion of shares not now ranked for dividends or  
8 ranking only for restricted dividend.  
9 Cover does not allow for shares which may also rank for dividend at a  
0 future date. No P/E ratio usually practiced.  
1 No par value.  
2 D.F. Belgian Francs. Fr. French Francs. % Yield based on assumptions

[illegible][illegible]

REGIONAL & IRISH STOCKS			
The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.			
Albany Inv 20p	96	Arund	100
Cash & Rose LI	700	CPI Hldgs	50
Finity Plaz 5p	61	Carroll Ints	137
Highgate Brev	225	Deputy Gas	70
Hot Line LI	75	Deputy Gas	65
Irish Sm. LI	85	Heaton Hldgs	18
		Irish Repres	40
		Jacobs IW & LJ	80
IRISH			
Fund 11 1/2% 1998	1,001		

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 Fin 13/9/02 £104 .....  


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**"Recent Issues" and "Rights" Page 27**  
**(International Edition Page 32)**  


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 This service is Available in every Company dealt in on Stock  
 Exchanges throughout the United Kingdom for a fee of £200 per  
 annum for each security.











## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 95



**OVER-THE-COUNTER**  
Nasdaq national market, 3:20pm prices

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2
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**Continued on Page 33**



# FINANCIAL TIMES

## WORLD STOCK MARKETS

### WALL STREET

## Upturn on economic optimism

SIGNS that the U.S. economy is on the upward path again brought the buyers back into Wall Street yesterday, writes Terry Byland in New York.

The increase of 1.8 per cent in durable goods orders in June, coupled with a small gain in consumer prices, raised hopes that the second half of 1985 will see the economy back on full power, and inflation still under control.

Early falls in blue chips were smartly reversed as the stock market gained ground in heavy trading. Renewed buying of IBM and other technology leaders boosted market indices.

By 3pm, however, the Dow Jones industrial average was down 3.38 at 1,354.28.

Turnover was active but gains in the leaders were trimmed at mid-session and the broader market was slow to join the advance.

The Dow transportation average soared to a new peak as airline issues responded to the split at the Opec ministers meeting. Only utility stocks turned downwards, on fears that a rejuvenated economy may mean higher interest rates.

Industrial stocks were held back in the first hour by further weakness in the bond market, where the latest federal economic data found a less confident response. Credit market analysts rate the chances of an easing in Federal Reserve

credit policies - significantly reduced in the light of Mr Paul Volcker's report to Congress - even lower, if the economy rebounds.

With the technology industry now regarded as the spearhead of economic growth, the turnaround in the market was spotlighted by the big names in the computer industry.

IBM reversed an initial fall to gain a net 1 1/4% to \$131 1/2 in heavy turnover. Hard on the heels of Big Blue, Honeywell jumped 2 1/4% to \$67, Burroughs 1 1/4% to \$63 1/4, and Digital Equipment 1 1/4% to \$104 1/4.

Domestic airline carriers to catch the attention of the buyers included American 3 1/4% up at \$49 1/4, Delta 5 1/4% up at \$51 1/4 and United 5 1/4% up at \$56 1/4 despite a large second-quarter loss. Pan American, however, stayed on the sidelines, shedding 3 1/4% to \$7 1/4.

Boeing jumped 1 1/4% to \$49 1/4 on the order for 10 737 aircraft by KLM, the Dutch national airline. McDonnell Douglas added 5 1/4% to \$86 1/4, while other defence issues to advance included Lockheed, 5 1/4% up at \$55 1/4.

Results from the oil industry again left the sector unimpressed. Exxon, the leader of the world industry, eased 3 1/4% to \$51 1/4 on disappointing results. Phillips Petroleum, at \$12 1/4, was 5 1/4% up on their figures. Atlantic Richfield held unchanged at \$58 1/4, also after results.

Union Carbide jumped 1 1/4% to \$51 1/4 in heavy trading after Merrill Lynch had upgraded the stock, which has fallen heavily since the Bhopal tragedy.

A gain of 5 1/4% to \$124 1/4 in Celanese followed news of a modest gain in profits. Reconsideration of the second-quarter results lifted Monsanto by 3 1/4% to \$55 1/4. Du Pont, 5 1/4% up at \$80 1/4 also stood out in a firm chemical sector.

Other industrial issues affected by earnings reports included Prime Comput-

er, 5 1/4% up at \$19 1/4, Gould 5 1/4% better at \$25 1/4, and Ingersoll-Rand, 5 1/4% higher at \$53.

Motor stocks lagged behind the market with investors taking a cautious view of Toyota's decision to build a plant in the U.S.

Borg-Warner rallied 5 1/4% to \$22 1/4 after the board forecast a better performance in the second half.

Phibro-Salomon, the Wall Street trading firm, traded heavily after disclosing increased quarterly profits, and the stock added 5 1/4% to \$45 1/4. Also active in financial stocks was American Express 5 1/4% up at \$46 1/4 after lacklustre earnings.

However, Chubb plunged 1 1/4% to \$70 1/4 in response to its second-quarter statement.

A hatch of trading results from the consumer sector brought no fireworks. McDonald's, the hamburger franchiser, remained steady at \$68 1/4, while PepsiCo fresh from its media battle with New Coke, added 5 1/4% to \$59 1/4.

But department stores looked unimpressed by lower quarterly earnings at Sears Roebuck, down 5 1/4% at \$37 1/4. Dart & Kraft, the Tupperware to processed cheese group, eased 3 1/4% to \$37 1/4 after reporting increased earnings.

In the credit markets, the effects of the federal economic data were balanced by a dip in federal funds to 7 1/4% per cent. But short-term rates did very little while awaiting news from the auction of two-year Treasury securities. Bonds steadied from their early falls but saw only moderate trading interest.

### LONDON

## Currencies dictate the pace

CURRENCY fluctuations determined the trend in London yesterday. A good performance by sterling pushed Government securities ahead as overseas funds were attracted.

Money market rates reversed their recent upturn but leading shares gained little comfort from speculation about another reduction in bank borrowing charges.

The FT Ordinary share index stood 6.8 lower at 3,300pm, but rallied to end 4.2 down at a new closing low for the year of 3,211.

Longer-dated gilts advanced by almost a point at one stage and indexed linked issues improved by about 1/4%.

Chief price changes, Page 33; Details, Page 32; Share information service, Pages 30-31

### SOUTH AFRICA

A PARTIAL recovery was staged in Johannesburg yesterday as gold shares recovered some of Monday's sharp losses.

Reserve Bank governor Mr Gerhard de Kock said the selling of gold and industrial issues following the state of emergency declaration had been relatively small, and said the main factor in the market remained the gold hullion price.

Randfontein added R4 to R192 after falling R13 on Monday and Buffels rose R1 to R64.

### INDIA

IN AN effort to reduce speculative buying, the Bombay Stock Exchange has decided to impose a 40 per cent margin on the buying of all 46 shares traded.

A decision has also been made, effective immediately, to cut trading to one hour a day from three.

Corporate tax incentives introduced in the last budget and India's liberal economic policies in general have boosted share prices across the country recently. The Economic Times index at 555.7 yesterday was up 229.5 from its March level when the budget was presented.

### EUROPE

## Frankfurt exposed to rate impact

A WIDE range of factors such as currency rates, oil prices and company results combined to produce a diversity of performances on the European hours yesterday.

A nervous Frankfurt was fully exposed to the impact of the volatile dollar/D-Mark exchange rate. Shares that benefited from the heavy overseas buying earlier this year due to the strength of the dollar are now undergoing a major reappraisal and the Commerzbank index retreated a further 10.5 points to 1,405.8.

The export-oriented stocks suffered the most. Porsche dipped DM 15 after the previous session's DM 8 gain, to close at DM 1,320. The quality sports car group is now back firmly in the middle of its trading range for the year while most of the other West German car makers are hovering at or near the higher end of their ranges. Daimler also encountered some profit-taking and eased DM 8 to DM 842.50 ex-dividend.

Dollar-related fears were also evident in the chemicals sector as Degussa, which managed to resist the downturn in the previous session, dipped DM 4 to DM 367 while Schering retreated DM 3.50 to DM 478.

Banks were also easier with Commerzbank the latest to report profits figures. Its strong first-half results had already been discounted by the market and the group slipped from its 1985 peak with a DM 3.50 fall to DM 223.50 while Dresdner lost DM 2.70 to DM 280.

One of the few bright spots of the session was the excellent performance of the iron and steel sector with Thyssen finding late support to close DM 1.70 higher at DM 116.70 and Klöckner managed a more rewarding DM 4.20 to DM 63. Hoesch recouped half of Monday's loss with a 10 pt gain to DM 110.90.

Horten was the sole source of strength in weaker stores as it held unchanged at DM 184.

Bond prices moved within a 10 basis point range although most investors seemed more preoccupied with imminent summer holidays.

The Bundesbank sold DM 4.50m in paper against Monday's sales of DM 38.6m. Brussels, closed on Monday, returned with strong gains in chemical and oil stocks although the continuing political uncertainty diluted some of the bullish sentiment.

Institutional buying bolstered Solvay BFR 105 to BFR 4,465 and in turn overflowed into other chemical issues with UCB firming BFR 10 to BFR 4,980.

Petrofina traded BFR 30 higher to BFR 5,610 in thin volume but against a backdrop of the Opec prices meeting in Geneva.

Travel and tourism stock Wagons Lits suffered a BFR 70 decline to BFR 3,050. Oils proved to be a weak spot in Paris as position adjustments induced quiet trading.

Elf Aquitaine plunged new depths for the year with a BFR 2.30 drop to BFR 187.50 while Total slipped BFR 3 to BFR 207, also a new low for the year.

The recent cut in bank base rates proved to be a relatively small boon to sentiment.

Foreign investors, attracted by the firmness of the Swiss franc, dominated a thin Zurich session. Sandoz snatched the prize for the best gain of the day although its SwFr 350 jump to SwFr 8,539 is set against a SwFr 200 drop on Monday.

Banks continued to offer some appeal to domestic and overseas buyers as the reporting season picked up steam. Union Bank, which announced healthy figures on Monday, gained SwFr 25 to

SwFr 4,350, just below its 1985 high, while Swiss Volksbank, which released higher interims yesterday, held steady at SwFr 1,795.

Elsewhere, demand accumulated in transport and select industrials. Swissair moved to another high for the year with a SwFr 2 gain to SwFr 1,397.

Bond prices were quietly steady. Internationals encountered some serious selling in an otherwise lacklustre Amsterdam. Royal Dutch, caught in the crossfire of the dollar's retreat and the Opec manoeuvres, dropped Fl 3.80 to Fl 194 while Philips slipped 10 cents to Fl 48.70. Unilever resisted the pace and finished 50 cents up at Fl 347.

Strong West German support for Hoogovens took the steel group Fl 3.20 higher to Fl 85.80.

Slow trading in the bond market was attributed to pre-holiday lethargy.

Strong overseas buying buoyed Stockholm with Agn picking up SKr 3 to SKr 115 and SKF holding steady at its 1985 peak of SKr 250.

Net foreign, buying of Swedish shares in the first half of the year amounted to SKr 2.58bn and was largely concentrated on Electrolux, Volvo and Ericsson.

Profit-taking was evident in a quietly mixed Milan while Madrid declined slightly.

### SINGAPORE

## Speculatives contribute to higher trend

PERSISTENT buying took shares higher in Singapore in the seventh consecutive session of gains. The Straits Times index rose 9.46 to 778.69 and turnover rose to 27.4m from 20.9m on Monday.

Speculative and low-priced issues attracted most attention, but a wave of profit-taking during the last half-hour of trading brought some stocks down from their highs of the day.

Hopes remain high for cuts in corporate, personal and property taxes early next month.

In banks, both Malayan Banking and OCBC gained 10 cents to S\$5.85 and S\$8.85 respectively, while UOB was steady at S\$3.86 and OUB drifted 1 cent lower to S\$2.85.

Elsewhere, Hong Leong Finance added 8 cents to S\$2.44, Cold Storage 2 cents to S\$2.48 and Genting 5 cents to S\$5.85.

In speculative issues, United Motors rose 13 cents to S\$1.06 on a volume of 3.2m shares and Pahang Investments gained 3.5 cents to 64.5 cents with 2.6m shares exchanged.

### AUSTRALIA

FOREIGN institutional buying interest contributed to record highs in Sydney. Gold and metal stocks attracted investors who have pulled their funds out of South African miners.

The All Ordinaries index added 7.5 to a new peak of 933.6, while the All Industrials rose to a record 1,358.5, up 8.9.

CRA was ahead 10 cents at A\$6.16, Western Mining 16 cents at A\$4.24 and Aberfoyle 15 cents at A\$11.25.

In golds, Central Norseman added 30 cents to A\$8.60, Kidston 25 cents to A\$4.85 and Renison 20 cents to A\$5.10.

### CANADA

ACTIVE trading in Toronto enabled stocks to continue higher, sustaining the late spurt seen on Monday.

Proviso was most active, rising C\$4 to C\$25. Other actives included Alcan Aluminium, up C\$4 to C\$36 1/4, Seagram C\$4 higher at C\$58 1/4 and Falconbridge C\$4 ahead at C\$21 1/4.

Against the trend, Hiram Walker drifted C\$4 lower to C\$33 1/4, Dome Petroleum 5 cents off at C\$2.75 and Royce Gold 1 cent down at C\$2.54.

### TOKYO

## Pronounced shift to sidelines

INCREASINGLY concerned over higher prices, investors retreated to the sidelines in Tokyo yesterday to send share prices slightly lower, writes Shigeo Nishitani of Jiji Press.

The Nikkei-Dow market average fell 8.63 to 12,762.53. Volume increased to 482m shares from 388m the previous day. Declines outnumbered advances by 467 to 316, with 147 issues unchanged.

The market lost steam because of investor caution against high price levels for issues related to the Government's investments and loans programme which have led market activity since the beginning of this month. Kumagai Gumi and other popular issues have risen by about 30 per cent in two weeks.

Sumitomo Heavy Industries topped the most active list with 20.49m shares traded. The issue gained Y10 at one stage, but closed at Y267, unchanged from the previous day.

Mitsubishi Metal, the second most active with 21.33m shares traded, scored a daily allowable gain of Y100 to Y886 at one stage, but came under profit-taking pressure later to close at Y875, up Y39. Buying interest was fuelled by reports that its wholly owned subsidiary had found a gold vein in Yamagata prefecture, north-eastern Japan.

All Nippon Airways, also active, gained Y40 to Y738. But electric railways were generally cheaper, with Tokyu Corporation losing Y4 to Y541, Toho Railway Y8 to Y390 and Keisei Electric Railway Y22 to Y443.

Issues related to the Government's fiscal investments and loans programme were mixed. Tekken Construction attracted persistent buying interest, rising Y29 to Y435. Kumagai Gumi advanced Y22 to Y835. But Taisei Corporation dipped Y3 to Y315.

Hitachi shed Y24 to Y885 on heavy selling, triggered by reports that the company would curb semiconductor exports to the U.S. substantially in the current fiscal year. Fujitsu and NEC lost Y25 and Y8 to Y875 and Y929, respectively. Nippon Kogaku declined Y39 to Y954.

Biotechnology-related issues were sold, with Green Cross dropping Y100 to Y2,170, Daiichi Seiyaku Y70 to Y2,160 and Yamanouchi Pharmaceutical Y80 to Y2,660.

Tokio Marine and Fire added Y10 to Y1,030. The four leading securities companies were steady on forecasts of record recurring profits for the business year ending in September. Nomura gained Y10 to Y1,310.

Bond prices moved little, despite the yen's firmness. The yield on 8.8 per cent government bonds maturing in December 1994, fell to 6.280 per cent from the previous day's 6.290 per cent.

### HONG KONG

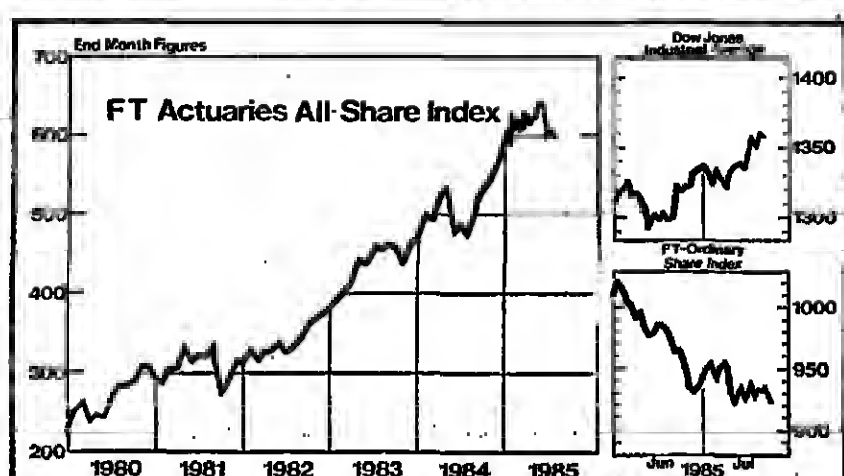
PROFIT-TAKING set in as the Hong Kong market reacted to two weeks of fairly steady gains. Shares drifted lower and banks came under most pressure after recent interest rate cuts.

The Hang Seng index, which was close to a four-year high on Monday, lost 18 to end at 1,673.85.

Bank of East Asia shed 60 cents to HK\$22. Hang Seng Bank lost 50 cents to HK\$45.50 and Hongkong Bank was 5 cents lower at HK\$7.55.

Hutchison Whampoa, which has announced its intention to buy a 50 per cent stake in Ready Mixed Concrete, moved 50 cents lower to HK\$27.10, while Jardine Matheson gained 30 cents to HK\$12.50.

### KEY MARKET MONITORS



STOCK MARKET INDICES				
	July 23	Previous	Year ago	
NEW YORK				
DJ Industrials	1,354.28	1,357.64	1,096.62	
DJ Transport	699.32	701.90	447.33	
DJ Utilities	158.49	164.65	124.28	
S&P Composite	132.66	134.35	148.95	
LONDON				
FT Ord	921.1	925.3	763.5	
FT-SE 100	1,233.1	1,241.1	966.9	
FT-A All-share	595.12	599.12	464.84	
FT-A 500	647.66	652.03	500.98	
FT Gold mines	386.7	385.2	468.2	
FT-A Long gilt	10.16	10.24	11.40	
TOKYO				
Nikkei-Dow	12,762.53	12,771.69	9,703.3	
Tokyo SE	1,042.10	1,042.40	750.09	
AUSTRALIA				
All Ord.	933.6	926.5	675.9	
Metals & Mins.	546.1	536.4	408.0	
AUSTRIA				
Credit Aktien	100.01	99.93	53.51	
BELGIUM				
Belgian SE	2,313.81	2,311.42	—	
CANADA				
Toronto	2,047.8	2,014.1	1,662.0	
Metals & Mins	2,933.3	2,797.4	2,050.2	
Composite	138.91	138.74	100.95	
DENMARK				
SE	211.35	209.77	186.21	
FRANCE				
CAC Gen	217.9	218.6	159.3	
Ind. Tandance	124.70	125.00	84.79	
WEST GERMANY				
FAZ-Aktien	477.87	481.44	320.40	
Commerzbank	1,405.8	1,416.3	922.0	
HONG KONG				
Hang Seng	1,673.85	1,689.85	747.02	
ITALY				
Banca Com.	359.03	358.75	208.18	
NETHERLANDS				
ANP-CBS Gen	218.1	219.2	147.0	
ANP-CBS Ind	185.8	186.8	119.9	
NORWAY				
Osto SE	345.90	348.59	249.14	
SINGAPORE				
Straits Times	778.69	769.23	873.96	
SOUTH AFRICA				
July 23	Prev	Yr ago		
JSE Golds	914.1	818.7		
JSE Industrials	—	1,006.7	848.4	
SPAIN				
Madrid SE	109.34	108.48	91.11	
SWEDEN				
J & P	1,351.99	1,347.15	1,465.40	
SWITZERLAND				
Swiss Bank Ind	461.8	460.7	357.8	
WORLD				
Capital Int'l	221.8	223.2	167.4	

CURRENCIES				
	July 23	Previous	July 23	Previous
(London)				
U.S. DOLLAR				
\$	—	—	1.411	1.389
DM	2.8505	2.898	4.03	4.025
Yen	237.8	240.05	336.0	335.5
Sfr	8.66	8.7975	12.21	12.2075
SwFr	2.3405	2.3785	3.3	3.3
Guilder	3.2045	3.2555	4.5275	4.52
Lira	1,905.5	1,944.5	2,866.0	2,700.0
BFR	57.25	58.1	80.85	81.65
Cs	1.3455	1.4	1.5055	1.8757

INTEREST RATES				
	July 23	Prev		
Euro-currencies				
(3-month offered rate)				
\$	12	12		
SwFr	5 1/2	5 1/2		
DM	5 1/2	5 1/2		
FF	10 1/2	10 1/2		
FT London Interbank fixing				
(offered rate)				
3-month U.S.S.	8 1/2	8 1/2		
6-month U.S.S.	8 1/2	8 1/2		
U.S. Fed Funds	7 1/2	7 1/2		
U.S. 3-month CDs	7.80	7.80		
U.S. 3-month T-bills	7.24	7.24		

U.S. BONDS					
Treasury		July 23*		Prev	
		Price	Yield	Price	Yield
8 1/2	1987	99 1/2	8.919	99 1/2	8.90
10 1/2	1992	100 1/2	10.311	100 1/2	10.31
11 1/4	1995	104 1/2	10.458	104 1/2	10.44
11 1/4	2015	105 1/2	10.595	105 1/2	10.60
Corporate		July 23*		Prev	
AT & T		Price	Yield	Price	Yield
10 1/2	June 1980	101	10.10	101	10.10
3 7/8	July 1980	81	8.70	81	8.70
8 1/2	May 2000	83 1/2	11.00	83 1/2	11.00
Xerox					
10 1/2	March 1993	97.10	11.20	97.10	11.20
Diamond Shamrock					
10 1/2	May 1993	96.785	11.25	96.785	11.25
Federated Dept Stores					
10 1/2	May 2013	83 1/2	11.00	83 1/2	11.00
Abbott Lab					
11 1/8	Feb 2013	101 1/4	11.65	101 1/4	11.65
Alcoa					
12 1/4	Dec 2012	100.75	12.15	100.75	12.15
Source: Salomon Bros					